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Canada:

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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Please make the following changes in Transcript of Evidence for June 3rd, Vol.4.

Page	Line	Change
529	3rd from last	Change "lines" to"rates"
530	16	Change "They are hauling" to "they should haul".
	21	Interrogation point at end of line.
639	15	Change "some of" to "merely to"
706	5	Should read " air lines, and then compensate the railways for their loss of revenue?"

ROYALL COMMISSION ON TRANSPORTATION

WINNIPEG, Man.
Friday, June 3, 1949

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END OF WINNIPEG SESSIONS

ROYAL COMMISSION ON TRANSPORTATION

WINNIPEG, MANITOBA
FRIDAY, June 3rd, 1949.

HON. W. F. A. TURGEON, KC., LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

- - - - -

Additional Appearance:

N. G. H. Smith, K.C. — Counsel for Canadian Air Line Pilots' Association.

- - - - -

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: Yesterday, Mr. Chairman, we left off with the cross examination of Mr. Goodman by Mr. Evans,in connection with the Manitoba Dairy and Poultry Co-operative Limited brief.

THE CHAIRMAN: Yes.

MR. EVANS: Mr.Chairman, I would like to apolozize for the length of my cross examination, but I am nearly finished, and if Mr. Goodman would not mind answering a few more questions.

F. J. GOODMAN - Recalled.

Cross Examination continued by Mr. Evans.

MR. EVANS: Q. Mr. Goodman, when we adjourned last evening, I was talking to you about butter, and I was about to ask you a few questions about your brief, respecting eggs. Would you now turn to page 2 of the letter of the Western Canada Produce Association, which is dated March 1949. It is a rather long letter; but if you would look at page two of that letter and see if I correctly understand the business with regard to eggs.

Your Co-operative has a large business in the processing of eggs, and that processing involves buying eggs from the producers and cracking them? A. Yes.

Q. Taking out the contents; do you separate the yolk from the white? A. In some cases, yes.

Q. And then what process do they go through? A. They are either processed as whole eggs, or they can be processed as yolks and whites.

Q. Is that a commodity which you largely export,

or partly export? A. Last year about 90% of our business was export.

Q. Is it frozen? A. Yes, it is frozen in pails.

Q. How does it move, in cans? A. Yes, in pails, cans.

Q. And it is frozen here, and transported in refrigerator cars? A. Yes.

Q. And then it is put in refrigerated ships for export? A. Yes.

Q. That is, for human consumption in the countries to which you export it? A. Great Britain, yes.

Q. Have you competition from other processors in the West, say at Edmonton or Regina? A. Oh, yes.

Q. Is the competition fairly keen at those points with you? A. Well, on the export contract, you are allotted so much by the government,and that is the quantity that you ship. Last year the bulk of the processed eggs were contracted to the government.

Q. And then you have a division of the total product by allocation bythe government?

A. Yes.

Q. But you have in competition with you, I assume, these other processors at Edmonton and Regina?

A. Yes, sir.

Q. Have I correctly interpreted your proposal: That you desire that you may purchase eggs in outlying places such as Edmonton and Regina and bring those eggs to Winnipeg and process them and send them along in the processed state at the same

HH

rate as the processor in Edmonton who sends them to the east, or the processor in Regina, as the case maybe? Is that your view, plus thecharge for stop-over?

A. Yes.

Q. And would you tell me, roughly, what proportion of theeggs you process in Winnipeg come from the outlying cities of Edmonton and Regina?

A. I could not give it toyou offhand.

Q. Would it be a large proportion?

A. No, not a very large proportion.

Q. Is it fair to say then that most of the eggs you process in your plant here come from local sources in Manitoba?

A. Not altogether. You see, the feeling of this brief is that we wish to have the same privileges for eggs which are now in force for butter, that is that stop-over privilege. If you bring them from Brandon or Yorkton - I don't know whether you consider that local or not - but it is quite a considerable haul against them, for which you receive no drawback.

Q. The eggs you process here are largely drawn from the producers of eggs in Manitoba?

A. The producers in Manitoba and in eastern Saskatchewan.

Q. Within a reasonable radius of Winnipeg?

A. I don't know what you call a short radius.

Q. I am trying to find out the facts.

THE CHAIRMAN: Q. How far is it to Yorkton?

A. I believe the distance to Yorkton is about 225 miles.

HH

MR. EVANS: Q. Is your Co-operative a party to the agreed charge on eggs in Manitoba?

A. Yes.

Q. You have a special contract with the railways by which your eggs, moving within the area covered by the agreed charge, are carried by rail at a special rate?

A. Yes.

Q. Now then, you speak of: at times you reach out to places like Edmonton, Calgary, Moose Jaw, Regina, and other western points for supplies of breaking eggs. Now then, would this be a fair statement: The processor at Edmonton and Regina - apart from their mileage further from the eastern or export market - gets exactly the same scale of rates as you do from your Winnipeg plant on the processed article.

A. I am afraid I do not quite understand your question.

Q. Well, as a processor in Manitoba competing with a processor in Edmonton or Regina or these other places, you have the same scale of rates for your processed eggs as they do?

A. You mean, they are sold at the same prices?

. No. I mean the same scale of freight rates on your processed eggs.

THE CHAIRMAN: Q. That is, from here eastward?

A. From Winnipeg, east.

MR. EVANS:

Q. Yes.

A. And from Edmonton, east?

Q. Yes.

A. Well, the through freight rate on eggs from Edmonton to, let us say, Montreal, would be less than the freight on the carload of shell eggs from Edmonton to Winnipeg, and broken here, and then transhipped as frozen eggs from Winnipeg to Montreal.

Q. I knew that was the point you were trying to make. But when the processor of eggs ships the processed article from Edmonton in competition with the shipping of the processed article from Winnipeg, he gets the same scale of rates as you do, except for the effect of distance. I am not talking about shell eggs coming in now. We will deal with that in a moment.

A. I am sorry that I could not give you my answer to that Mr. Evans. I do not know the freight tariff well enough.

Q. At all events, may I put it this way: Your complaint is not that you get a worse treatment on the processed eggs than the Edmonton, Regina, or Moose Jaw processor?

A. No, I do not believe we do.

Q. Then your complaint gets down to this: You feel, in connection with shell eggs , which you may at times have to reach out and buy, that it should be treated as one movement through Winnipeg to the ultimate destination, although the first part of the movement is the shell eggs that stop off for processing; and then you ship in the processed state. And your suggestion is that you should have the same through rate, plus a

HH

stop-over charge at Winnipeg.

A. Yes.

Q. Butwouldn't that give you a little advantage over the processor at Edmonton, Regina or Moose Jaw.

A. I do not believe it would.

Q. Wouldn't they have to pay the regular scale of rates in bond on the shell eggs to their plants?

A. You mean for their local eggs.

Q. Probably they reach out too.

THE CHAIRMAN: Where do these people, in turn, get their supplies from?

MR. EVANS: Q. Yes, where do these people get their supplies from, at Edmonton and Regina?

A. From the producers.

Q. And where do they draw them from?

A. Principally the territory surrounding their places.

Q. Much the same as you do.

A. Yes.

Q. And I suppose they, too, may reach out, when the local producers cannot supply their demands? They must reach out to greater mileages, too, do they not

A. I do not believe the facilities in Edmonton are as large as they are in Winnipeg. There are times when they cannot handle all their products.

Q. You mean their capacity is not as great as yours?

A. No.

Q. I gather that these eggs are a little below

HH

the commercial grade which the housewife would buy for her table.

A. Well, the majority of them are what we call B grade.

Q. Would it be fair to suggest that if there are surplus eggs at Edmonton, you get them at perhaps a cheaper price than you would get your local eggs?

A. No. That has not been the case for the last seven years.

Q. But if there were surpluses at those places you would expect that to be true.

A. It might be in normal times. There might be a differential; but the majority of our prices are based on the Montreal prices less freight to each point.

Q. Would this paragraph on page 4 of your letter, perhaps, point the matter up; near the top of page 4 you discuss the examples given on the previous page and you say:

> "These examples illustrate quite clearly that processors in Saskatchewan and Alberta have a competitive advantage of up to 1.12 cents per pound."

What you mean by "competitive advantage" is: That if you have to go into another province for some portion of your eggs and have to ship them into your plant, you do not get the same rate as they do on the processed eggs from those points.

A. I believe that is so.

Q. But with regard to the treatment of your

processed article, you have an advantage over them, due to distance, too.

A. For the local eggs?

Q. Yes, and the processed article from Winnipeg is closer to the market.

A. Yes.

Q. And you have also an advantage of this agreed charge in Manitoba on local eggs coming inbound to your plant.

A. I believe that is also available to the producers in the other provinces, too.

MR. EVANS: I think that is all Mr. Goodman. Thank you.

THE CHAIRMAN: Are there any other questions?

COMMISSIONER INNIS: Q. I have one question Mr. Chairman. You have on the first page of your brief, Mr. Goodman, a reference to the 1948 agricultural production and you mention the sum of $329,925,000. Now, Mr. McConnell in his brief yesterday gave for that same item the sum of $278,174,000. Can you suggest the reason for that difference?

A. I believe the difference is due to the fact that one is for gross agricultural production while the other is for net.

Q. You do not say that, and there is no indication here that it is gross; and there was no indication in his brief that it was net, if that is the fact.

A. When we compiled these figures, the only

HH

Dominion figures we could get were in gross agricultural production, so we used the same gross agricultural production for Manitoba too.

Q. How did you get it from that?

A. They are both given in the Manitoba Agricultural year book.

THE CHAIRMAN: All right.

MR. SHEPARD: Perhaps I could just clarify that point. I am instructed by Mr. Moffat that one figure is the gross cash income from the sale of produce from farms.

COMMISSIONER INNIS: This is the figure in Mr. Goodman's brief.

MR. SHEPARD: And the other figure does not include the production which isconsumed on thefarm and which is not sold.

COMMISSIONER INNIS: Oh, I see.

THE CHAIRMAN: We next have the brief of the Anglo-Canadian Oils Limited.

MR. SHEPARD: Yes, Mr. Chairman, and that brief will be presented by Mr. R. J. Christian, the General Manager of Anglo-Canadian Oils Limited. I think he has just stepped out for a moment. Shall we wait for him for a moment or shall we go on with the next one.

THE CHAIRMAN: What is the next one?

MR. COVER: The Mid-West Metal Association.

MR. SHEPARD: Mr. Chairman, Mr. Shepherd is in the room. Oh, Mr. Christian is here now.

Page 485 follows

MR. R. J. CHRISTIAN - Called.

MR. SHEPARD: Will you proceed to read your brief, please, Mr. Christian?

THE WITNESS: Anglo-Canadian Oils Limited is a company entirely owned by Western people, having over 900 shareholders residing in Manitoba.

This Company operates a refinery, situated in Brandon, Manitoba, with a throughput of 2,200 barrels of crude oil per day. Crude oil is supplied from Alberta Oil Fields and the refined products are distributed throughout Manitoba and part of Saskatchewan.

During the past eleven years we have paid out to the railways over $5,000,000.00. This is for incoming crude and outgoing refined products. A large part of our output is distributed throughout the farming area. We are, therefore, vitally interested in the freight structure of Western Canada.

We, and I think everybody, admit the necessity of railways for the transportation of goods across this country and it is also common sense that they cannot operate at a loss and must be in a position to give a fair return on their shareholders' investment, but the required earnings should be equally distributed throughout the country and not have one part (because there is no water and very little track) bearing costs that should have been equally distributed.

Not being freight experts, we are at a loss to understand how rates are arrived at. We were always given to understand the reason for low rates in the East was because of water and other competition, but evidently

this is not the case because just recently the Board of Transport Commissioners granted McColl-Frontenac Oil Company Limited a special rate of 70% of 5th Class on refined products out of Fort William, Ontario, and in this instance it was proved, before the Board, there was no competition whatsoever, whereas we are compelled to pay the full 5th Class rate. We do not intend to go into rates, but merely cite this case to show the inconsistency of the present freight rate structure.

We would suggest a Transport Board composed of men who thoroughly understand transportation in general, or at least have on their staff capable independent freight experts to investigate an application and advise them, and not have to reply on figures as presented by the railways. A great deal of time and expense could be saved if local representatives of the Board were resident in each Province to advise the applicant as to whether his application was sound or not. We, in the West, are at a great disadvantage, due to the fact that everything is centralized in Ottawa or in the East. Of course these local representatives should be men who thoroughly understand their business in order to have the confidence of those seeking advice.

The present Board of Transport Commissioners have a heavy task and endeavour to give fair decisions. We make the above suggestions in order to simplify applications.

The present rate structure is so complicated that the average business is at a loss to know on what basis they are set. In fact, in some instances the railways

themselves cannot answer the question as to why and on what basis certain rates have been put into effect.

We are definitely against the railways being allowed to smother competition by getting control of truck franchises, and we think, in the best interests of the country, the Commission should study this matter carefully.

We have no argument against rates being fixed to give proper return on investment, but the return should be thoroughly investigated. These rates should be equally set throughout and not have the burden placed on any one part of the country to pay for losses of the other.

With your permission, I should like to back up my case of paragraph 6 by quoting some excerpts from Commissioner MacPherson's dissenting judgment.

THE CHAIRMAN:Q.In what case?

A. This is the case of McColl-Frontenac applying for 70% of the 5th Class rate out of Fort William, in which I say there was no competition whatsoever, and on which I understand the rate was evidently sanctioned. Here are his words, partly: ---

MR. SHEPARD: Mr. Christian, I wonder if, just for the record, you would read the reference to the case at the beginning of the judgment, so that the citation of the case will be in the record.

THE WITNESS: I will do that, sir: Application under the provisions of Part V of the Transport Act, 1938, for approval of an agreed charge,between the Canadian

National Railwys Canadian Pacific Railway Company and McColl-Frontenac Oil Company Limited, applicable to petroleum products, carloads, from Fort William, Port Arthur and West Fort William, Ontario, to destinations in the province of Saskatchewan. That is the application.

MR. SHEPARD: Would you give the date, and the number if there is a number there?

THE WITNESS: File No. 40994.27. The application I think was submitted, according to this, on March 26,1947.

MR. FRAWLEY: Do you know, Mr. Christian, if it has been reported in either J.O.R. & R. or C.R.C.?

THE WITNESS: I don't know, Mr. Frawley.

This statement in the dissenting judgment of Commissioner MacPherson says, in part:

"I feel that the railways were bound to secure the haul which this agreement covers and that in the absence of direct highway competition there is no necessity for this agreed charge.

Then he goes on:

"This agreement has been pending since May, 1947, a whole year before the Board's hearing took place, during which time I understand the McColl-Frontenac Company has forwarded all of their Saskatchewan requirements from the head of the Lakes without any assurance the Board would approve the agreement. I can understand the willingness of a shipper to gamble for a short period on the possibility of obtaining an agreement, but to continue that gamble for almost two years implies a

complete reliance on the Board's approval of the agreement, or that they were compelled to ship in that manner, in my view the latter maintains.

"Under Sub-Section 13, the Board is required to have regard to all considerations which appear relevant. One of these considerations appears to me to be the effect this agreement may have upon the establishing of industry in the West. It was stated that one of the purposes of the agreement is to prevent the erection of a refinery by the McColl-Frontenac Company, i.e., the railway in its own interest feels it would obtain more benefit from the agreed charge than it would from the building of an industry, which would give added employment. I do not dispute the possible direct benefit to the railways from the refined petroleum products traffic, but I do think it is a short-sighted policy to discourage the growth of industry, which growth would be of benefit to the railways. Regardless of what may be the strict legal interpretation of the Act, I doubt that its purpose is to allow the railways power to so discourage the growth of industry, and I do not believe the Board should assist in this by allowing this agreed charge.

"For these reasons, I consider this application should be refused.

(Sgd) Frank MacPherson

Ottawa, March 10th, 1949."

The point I was bringing up on that was, as I stated in my brief, it was my understanding that where

Dr. Chrisman

these charges were made they were based on other competition, and in this instance which affected us there was not any other competition; there was not any other way of shipping.

MR. SHEPARD: Mr. Chairman, just one or two questions.

EXAMINED BY MR. SHEPARD

Q. Mr. Christian, I take it that you have prepared this brief as a business man, as General Manager of an oil company operating in the West, an oil refinery in the West, and that your interest is to lay before this Commission matters of your own personal knowledge?

A. That is right.

Q. And that you do not hold yourself out as a technical expert in the matter of transportation generally, but you do know of these situations which you feel should be brought to the attention of the Commission?

A. That is right, sir. I am no freight expert whatever; I don't know anything about it.

Q. Thank you.

CROSS-EXAMINED BY MR. FRAWLEY

Q Mr. Christian, I think it would help if you would be good enough to explain to the Commission how the approval of this agreed charge has affected you detrimentally, operating out of Brandon?

A. Unfortunately, I have not got all those figures with me here, but it affected us in this way: in the first place we had to pay 21 per cent increase on the freight on crude oil from Alberta oilfields to our refinery, and in the case of the outgoing products moved by the railways we

had to pay a full 5th Class rate. We work back into Saskatchewan as far as Whitewood, which is our economic line. The McColl-Frontenac can ship in there from Fort William the material being manufactured cheaper in the East, and by the railways lowering this rate give them the benefit to go through. Now, in my brief before the Transport Board when we made an objection to the granting of this rate in Winnipeg in June, 1919, I brought this out.

MR. SHEPARD: Q. What year was that, Mr.Christian?

A. 1947. I brought this out, and we gave a few instances of what the comparison of haul and the rates would be. Fort William to Brandon, 554 miles, 74 cents. Now, this is before the 21 per cent increase took place, but the comparisons ranged the same. Fort William to Moose Jaw, under this agreed charge rate, 818 miles, 73 cents. Fort William to Verdun, 600 miles, 81 cents. Under the agreed charge rate, Fort William to Prince Albert, 1095 miles, 81 cents. Fort William to Winnipeg rate, 420 miles, is 50 cents, and Brandon to Winnipeg, 133 miles, 33 cents.

MR. FRAWLEY: Q. Under the agreed charge?

A. Well, there is no agreed charge from Brandon to Winnipeg, but under the others I am showing the difference, but they will haul from Fort William to Prince Albert, 105 miles, for 81 cents,and from Fort William to Verdun, 600 miles, for 81 cents. That is the point I am making -- the inconsistency.

Q. In other words, under this agreed charge was it McColl-Frontenac's plan to do its complete western

distribution from the lakehead?

A. From the edge of Manitoba right through.

Q. How far?

A. Well, as far as the whole of Saskatchewan; and under that set-up they could continue on to truck it into Alberta.

Q. In place of the present arrangement of taking their supplies from Imperial?

A. That is right.

Q. Now, you have no agreed charge out of Brandon?

A. Well, sir, I applied for an agreed charge out of Brandon, and that was put up before the Board of Transport Commissioners and filed. Mr. D'Arcy I believe was the lawyer who disputed that there had been an application or had only been one application, and I filed before the Board there the correspondence of the Canadian Freight Association showing that they had turned it down on three different applications.

Q. So your position is, you tried to get an agreed charge and failed?

A. That is right, sir.

CROSS-EXAMINED BY MR. MacPHERSON

Q. Just one question, Mr. Chairman. Has McColl-Frontenac any refinery in Western Canada?

A. Well, I can answer that for you if you wish; no.

Q. No refinery at all?

A. No.

Q. Do they do a substantial business in distributing petroleum products in Western Canada?

A. Yes.

Q. Thank you.

THE CHAIRMAN: Any other questions?

CROSS-EXAMINED BY MR. FILLMORE

Q. Just one question, Mr. Chairman. I noted in your brief, and I think I saw it in another one, suggested that the Board of Transport Commissioners should have an office or a representative in each province. You understand, of course, that the Board of Transport Commissioners is a court, and that the court could not act both as an investigator or advocate and as a judge; you see that is the position, don't you?

A. Yes, but I am referring to a situation in this instance that somebody should be representative of each province for the Board of Transport Commissioners as a freight expert who could answer questions. As an example -- and I went to the railway -- I mention here that the railways themselves do not know what the rates are set for. I went to the railways and I asked them why they had set a rate out of Edmonton to Regina of one cent below the crude rate on our refined product, and the answer I got was that they did not know, that the company that applied for the rate evidently went to them and they took their advice on it, they did not investigate the matter, and that is the whole subject.

Q. What would you think of this as an alternative suggestion, namely, that there should be associated with the Board of Transport Commissioners a rate expert or counsel who was familiar with the rates, who would be a

sort of public adviser, I mean something in the nature of a crown prosecutor, a representative of the public to whom you could direct inquiries?

A. Well, as I say, those are only suggestions -- anything that would put us in a position where we could go to a party and he would say, "Well, I don't think you are right." It is impossible to get that, because it would interfere with other businesses or do something or other, and we would not waste our time fooling around with it any more; but at the present time what do we do? We go down to the Canadian Freight Association, and what do we get? Nothing. That is the true fact.

THE CHAIRMAN: Any other questions?

MR. O'DONNELL: I have a few, my lord.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Christian, your company has been in business for some years now?

A. Eleven years.

Q. And I think we can agree that through the eleven years it has prospered, and that progressively each year its business has increased?

A. Yes; and the profits have decreased in some years too.

Q. Because the competition has been pretty keen, has it not?

A. Yes, due to similar situations.

Q. Well, for instance, would we not agree that possibly the competition of the Imperial Oil Company through its refinery at Regina was the chief cause of your difficulties?

A. No, sir.

Q. You do not agree with that?

A. No, sir.

Q. In any event,do you agree that the price for gasoline, refined petroleum products, which you sell in the Saskatchewan area is fixed by the Regina refinery?

A. Yes, in some instances.

Q. And that was the evidence, was it not, which was before the Board of Transport Commissioners in connection with the very case to which you refer?

A. No, I believe you are a little wrong there, because at that time we had fixed a certain price on certain commodities, and the Federated Co-op had also fixed their own situation, so I wouldn't say; I am not ---

Q. And then subsequently Imperial Oil issued a new rate ---

A. No.

Q. -- that rather destroyed your set-up?

A. No.

Q. Well, in any event we will get those facts later, but for the time being we will agree that your company has in each of the years since it was established, eleven years ago, made money?

A. Yes, we have made some money in each year, if you can call it a return on your investment. I would not compare it to the C.P.R's return on the investment by any means.

Q. Well, what was your return on your investment?

A. Well, I can name you the year before last, that I don't think we had one per cent.

Q. But in some of those years were you, by any happy chance, in the excess profits brackets?

A. Oh, yes, because I'll tell you the reason why,--

Q. Just a minute, now.

THE CHAIRMAN: What was the question, Mr. O'Donnell?

MR O'DONNELL: I am quite willing to let him answer. I thought the Chairman asked a question.

THE CHAIRMAN: I did not hear your question.

MR? O'DONNELL: I asked, your lordship, if perchance his company had been in the fortunate position of being in the excess profits brackets, in order words whether his company had made so much money that they were subject to the additional taxes imposed by the Excess Profits Tax Act, and my friend agrees that that was the fact.

THE WITNESS: Now I want to explain that, before we go any further.

MR O'DONNELL: All right, go ahead and explain it.

A. We were in the excess profits brackets, for the simple reason that we had no standard profit year, like the Imperial Oil or McColl-Frontenac or any of those companies that had been operating for years. Our excess profits were based on the low capital investment in our plant, and therefore our standard profits were set at a low figure -- extremely low -- so anything over thatis classed as excess profits. We were not in a position to say that we had made $300,000 in a standard profit year or anything like it, like the other big companies, so we had to take it and like it.

Q. In any event, you went, I assume, before the Standard Profits Board and had your standard profits fixed?

A. Oh, yes.

Q. And, having had them fixed, then you passed the level which they considered was a fair one for your profits, and became liable to the excess profits taxes?

A. Yes; but I think you will agree that the Board that was fixing excess profits at the time were primarily interested in money for the country, and they were setting these profits at a very low ebb, and latterly there was a great relaxation on the part of the Board on that, but we did not benefit by it.

MR. SHEPARD: Mr. Chairman, if I might interrupt, this is extremely interesting, but I am just wondering how much it has to do with the subject matter of the brief.

MR. O'DONNELL: If you will just be patient, I think we will get around to where it has quite a little to do with it. I was merely indicating to the Commission, Mr. Chairman, that my friend's business had prospered through the years. He intimated to the Board that they had been seriously affected by this agreed charge which had been approved by the Board of Transport Commissioners, and I assume he inferred adversely affected. I am merely indicating or trying to indicate that he was not affected.

THE CHAIRMAN: Well, he may have been, even if he was prosperous.

THE WITNESS: Certainly.

MR. O'DONNELL: Yes, but not adversely, and that was the situation.

Q. Now, through these years, Mr. Christian, all the years that you have been in business---

A. Since 1939.

Q. --You have been selling all the product that you had available; isn't that the fact?

A. No.

Q. You had more available than you were able to sell?

A. That is right.

Q. In what years?

A. Well, for instance, we started business in 1939 without a gallon, so naturally we had to go out and develop our business.

Q. That is right; and you developed it; you sold all you could produce

A. No; we still have a capacity in our refinery for producing more.

Q. Since when has it been that you have had a surplus?

A. Since 1939.

Q. You have always had a surplus of refined products to sell since 1939?

A. Yes, sir.

Q. What is your refinery capacity?

A. Our refinery capacity is 2250 barrels per day, per calendar day.

Q. Yes

A. We probably average around throughout the year on our sales, around 1750 barrels per calendar day, so we have that margin of refining capacity for which we endeavour to find a market.

Q. And for which you had, at the stage that you were before the Transport Commissioners, had trouble in finding crude oil?

A. No, we never had trouble in finding crude oil.

Q. You always had available supplies of crude oil?

A. Absolutely.

Q. For the full refinery capacity?

A. Absolutely.

(Page 502 folbws)

Q Now, this matter of the McColl Frontenac agreed charge is one on which I think we can agree that you had your day in court?

A I agree with that.

Q And not only did you have one day, but I think we were there four days, June 1 to June 4, 1948?

A I quite understand that.

Q And before that you had a lot of correspondence with the Board, and with the parties concerned in the agreed charge?

A No, I did not have any correspondence.

Q Well, your company did, did it not?

A No.

Q In any event you appeared there through your counsel, a very well known Western counsel, Mr. Porter?

A That is correct.

Q Mr. M. M. Porter?

A Yes.

Q And having had four days in court, and having submitted written briefs, ultimately judgment was rendered?

A That is quite correct.

Q And the judgment was that referred to by you, and you read the dissenting Commissioner's judgment?

A That is right.

Q And there were four other Commissioners who heard your case and the case of the complainants?

A That is right.

MR. O'DONNELL. For the convenience of the Commission, Mr. Chairman, I will procure a copy and produce it as an exhibit if you think it would be convenient to have it.

This judgment is reported in 39 J.O.R.R.

THE WITNESS: 39 or 49?

MR. O'DONNELL: 39 J.O.R.R., April 1, 1949. I think it is page 1. I believe it is the initial issue for 1949. The order of the Board giving effect to the judgment is to be found in 38 J.O.R.R. at page 268.

THE CHAIRMAN: How does the order come before the judgment?

MR. O'DONNELL: Pardon?

THE CHAIRMAN: Did you not say that the judgment is in 39?

MR. O'DONNELL: Right.

THE CHAIRMAN: And the order in 38?

MR. O'DONNELL: The order was issued and then the reasons for judgment came later. That is how it happens that they are reported in two different volumes. The order was issued on the 8th of February, 1949, and at that time the Board was very busy and occupied with the general rate increase cases, and the Commissioners did not get around to giving their reasons for judgment until a little later.

Q You state that in your view there was no competition involved in this matter, and on the first page of your brief you state that you were always given to understand that the reason for low rates in the east was because of water and other competition. I think we can agree with respect to this particular case that there was no matter of eastern rates involved. It was a matter of the rate from the head of the lakes to Saskatchewan?

A That is correct, but let us get this straight,

Mr. O'Donnell, In this case that I refer to - I refer back to the fact that it has always been told to me that the reason for a reduction of a rate, for argument's sake, like the transcontinental rate from Hamilton, we will say, to Vancouver is because of the Panama Canal rate, water or other competition. Now, then, we enter into the picture, and I have always been told these rates are governed by competition. There is absolutely no competition whatsoever. You could not take a truckload of that out of Fort William and deliver it in Saskatchewan.

Q All I am getting at is that no matter what the situation was in eastern Canada this was a rate which dealt with shipments from the head of the lakes to Saskatchewan?

A I am getting back to this truck and water competition. The argument, as I say - and I still stay with it - has always been made that the rates are governed by competition. There was not any competition in this instance. Why did they have to reduce the rate?

Q Well, the judgment says why. I do not want to interrupt my friend, Mr. Christian. He and I have had many discussions about the matter. I am quite prepared to allow him to discourse further on it, but all I am getting back to is that the rate that was being dealt with by the Board of Transport Commissioners with respect to the McColl Frontenac agreed charge was a rate which was to apply from the head of the lakes to Saskatchewan?

A That is correct.

Q I think we will also agree --

THE CHAIRMAN: I think it might be useful if you

would simply tell us the principles which govern the judgment.

MR. O'DONNELL: I was about to say that this rate was governed by the provisions of the Transport Act, 1938, which is 2 George VI, chapter 53 and amendments. I think I might read a short section, section 13A, which contains the provisions which came into play in connection with this particular case. Section 35, subsection 13 reads:

> "On any application under this section, the Board shall have regard to all considerations which appear to it to be relevant and, in particular, to the effect which the making of the agreed charge or the fixing of a charge is likely to have, or has had, on (a) the net revenue of the carrier; and (b) the business of any shipper by whom, or in whose interests, objection is made to approval being given to an agreed charge, or application is made for approval to be withdrawn."

What happens, Mr. Chairman, is that under the Transport Act the railways are free to enter into contracts with shippers for their business subject to certain considerations and certain conditions, and that notwithstanding the provisions of the Railway Act. The preamble to section 35 makes that quite clear.

> "Notwithstanding anything in the Railway Act, or in this Act, a carrier may make such charge or charges for the transport of the goods of any shipper, or for the transport of any part of his goods as may be agreed between the carrier and that shipper: Provided," and so on, provided that

the Board must approve the arrangement so made. The Board will not approve the arrangement as so made until the requirements of the detailed provisions of the agreed charges section of the Transport Act are complied with, and until the Board's regulations in connection with that Act have also been complied with. The fullest publicity is required, notice in the Canada Gazette, and mailing to individual organizations of copies of the notice, and of the data concerning the agreed charge as listed in appendix C. These regulations are likewise mailed out so that everyone with any interest in the matter is given ample notice. In this particular case I may say that the oil companies, which had all the facilities of experts and lawyers --

THE WITNESS: Except us.

MR. O'DONNELL: Q. Except you, but you did happen to have a very able counsel, Mr. Porter.

A He is 700 miles away from us.

Q But he came to Ottawa with you and acted for you?

A I quite agree with that because he represented three different companies, not only us.

Q And a very able counsel.

THE CHAIRMAN: Anyhow, Mr. Christian's company was heard, was it not?

MR. O'DONNELL: Yes.

THE CHAIRMAN: As a shipper who objected on the ground that he was going to be injured.

MR. O'DONNELL: That is correct, and the Board found that Mr. Christian's company was not going to be

affected. I think for convenience the judgment might be marked as Exhibit 5.

EXHIBIT NO. 5: Volume 39, J.O.R.R.

At page 5 the Board held, and I am reading the majority judgment, not the dissenting judgment.

> "The evidence of Anglo Canadian Oils Limited did not show that the shippers' continuance in the Saskatchewan market would affect its business" -- The shipper being McColl Frontenac.
>
> "The Brandon Refinery is obtaining crude oil from the Leduc field which must be transported through the Saskatchewan marketing territory, and the products it sells in that market back-hauled thereto. This in itself is a disability of geography and the agreement will not change it. A large percentage of its refined product is moved by highway transport and witness Christian for the objecting company went to considerable pains to detail his efforts to obtain, some years previously, an agreed charge on his products. The relevancy of such submission escapes me, particularly when it was stated by the applicants' witnesses that the negotiations broke down because the parties could not agree upon the terms."

Under the Transport Act it is a matter of agreement between the shipper and the railways, not only one railway, but all railways involved where competitive points are concerned. They must all agree on it. That is section 35, subsection 1. The Board found that Mr. Christian had discussed the possibility of procuring an agreed charge on

terms and conditions that he was prepared to --

THE WITNESS: Excuse me; may I break in for a minute? I think this statement that Mr. O'Donnell is making is not true, if I may say so. I proved before the Board that the first application was a set-up in which I offered 60 per cent of our business to the railways, 60 per cent of the total output of our refinery. In the agreed charges that they had out of other refineries they did not come anywhere near 60 per cent of the total output. Then I went after that to the railways and the Canadian Freight Association and I said, "all right, let us forget all that. You do not seem to be able to take a pencil and figure whether you are going to make more money out of it. Let us forget all that. Give me exactly the same as out of Calgary, out of Sarnia, or anybody else." They turned that down. Is that any different trying to get something - trying to infer that we had applied for something different than what the railways had granted anybody else. I fail to see it.

MR. O'CONNELL: Q. In any event, all I am referring to --

A You can refer to the letters on file.

Q I am referring to what the judgment says, that they could not agree upon the terms and that the matter fell to the ground. The provisions of the Transport Act are further that anyone who feels himself aggrieved and has not the benefit of an agreed charge, may procure what is known as a fixed charge.

THE CHAIRMAN: May procure what?

MR. O'DONNELL: A fixed charge. That is provided

for in section 35, subsection 6 which reads:

> 35(6) Any shipper who considers that his business will be unjustly discriminated against if an agreed charge is approved and is made by the carrier, or that his business has been unjustly discriminated against as a result of the making of an agreed charge, may at any time apply to the Board for a charge to be fixed for the transport of his goods (being the same goods as or similar goods to and being offered for carriage under substantially similar circumstances and conditions as the goods to which the agreed charge relates)", and so on.

The wording is to the effect that it is substantially the same goods under similar conditions as the goods to which the agreed charge relates.

THE CHAIRMAN: By the same carrier?

MR. O'DONNELL: And by the same carrier. All carriers join in this, Mr. Chairman.

THE CHAIRMAN: Did this company apply under subsection 6?

MR. O'DONNELL: The whole point is that Mr. Christian's company, the Imperial Oil Company, and the other objecting companies would not agree to the same terms and conditions which the railways were imposing on McColl Frontenac.

THE WITNESS: Well --

MR. O'DONNELL: Just a moment, please. Under the provisions of the agreed charge McColl Frontenac had, as the judgment says - I will read the words of the judgment.

"The shipper agrees to ship its total requirements of refined oil products for the destinations in Saskatchewan named in the agreement by rail from the lakehead, and not to ship or cause to be carried any part thereof by any means of highway transportation whatsoever."

The entire shipments of McColl Frontenac, both into and out of Saskatchewan points, to the distributors' places were to be carried by the railways. The railways got the entire business of McColl Frontenac. What Mr. Christian's company and the other companies wanted to do was to pick and choose so that they might use, as his company does - and I will ask him this - highway transportation. His company was willing to give part of its business to the railway. It was willing to leave to the railways that part of the business which was difficult to handle, that part of the business which was not attractive to the trucker. That is a part of the problem which the Commission has, the possible co-ordination of transportation services as between railways and truckers.

Q All I am asking, Mr. Christian, is one point. Is it not a fact that your company distributes its products from the refinery at Brandon into Saskatchewan points by truck?

A By tank car and truck.

Q By truck in no small degree?

A Who drove us into the trucking business? When we started the refinery we went to the Canadian Freight Association. We did not want to invest in trucks. We did not want to be bothered with trucks. We went to the

Canadian Freight Association and I sat in a meeting at the Canadian Freight Association with Mr. Flynn, the C.P.R., the C.N.R., and what not, others that had no interest in the picture. You know the answer I got. "Well, it is not worth considering. The amount you would ship would not be worth anything." That is Mr. Flynn's statement, and the C.P.R. men there at the time know it.

Two years afterwards we made another application and we were turned down again.

Q. THE CHAIRMAN: An application for what?

A For an agreed charge out of the refinery similar to other people. I am not arguing about whether McColl Frontenac have a right to get this rate. I say this, that I cannot understand why the railways will go and give 30 per cent off a fifth class rate, and I might remind Mr. O'Donnell that at the time of the inquiry Imperial Oil was shipping to Saskatchewan approximately three times what McColl Frontenac was shipping. They would not grant that rate to Imperial Oil. I am not fighting the case of Imperial Oil, but the subject came up that unless Imperial Oil gave them 100 per cent, and it meant closing a refinery down, they could not have it. Mr. Knowles, who is an employee of the Canadian people representing the Canadian National Railways, got up and said that he was not interested a bit in the closing of refineries in western Canada, even if it meant closing them all, so long as they got the long haul. That is in the records in Ottawa.

MR. O'DONNELL: Q. We will have to let the record speak for itself.

A And finally --

Q Coming back to my one short question to you, is it not a fact that your company uses trucks for the distribution of its products?

A Because the railways would not give us a rate and drove us into the truck business.

A All right, but that is the fact, you use trucks. Is it not a further fact that you did not want to forego the use of trucks and that you would not meet the same terms and conditions as McColl Frontenac had agreed to meet in the agreed charge?

A No. We agreed to meet exactly the same conditions on an agreed charge as out of Calgary or out of Sarnia or anywhere else. Let me ask you one thing, Mr. O'Donnell. You have made the statement that McColl Frontenac give the railroads every gallon of gasoline that is shipped from the head of the lakes to the farmers.

Q I said no such thing; I said into the Saskatchewan market, and the terms of the judgment set out --

A Will you make the statement that McColl Frontenac do not ship anything from their own distributing points where the tank cars roll in for miles out into the country that could be shipped by rail?

Q Mr. Christian, there is no use entering into a debate.

A You make the statement. You must back it up.

Q I do not have to back it up. I rely on the terms of the judgment.

A You should back it up. I have to back up my statements. Why don't you?

Q I am backing them up by the judgment which is filed as an exhibit.

A I disagree with the judgment. Mr. McPherson disagreed with the judgment. There were one hundred others.

Q You did not like the judgment?

A One hundred others did not like it.

Q We are clear on that. You at least did not like it.

A One hundred others did not like it, not only me.

THE CHAIRMAN: We are not here to hear an appeal from the judgment.

THE WITNESS: No, that is right.

THE CHAIRMAN: We are interested in seeing --

THE WITNESS: I am not arguing about that at all.

THE CHAIRMAN: Just a minute. We are interested in seeing how these applications are dealt with, what principles are followed. You have pointed to the Transport Act, Mr. O'Donnell, and you say that the principles are contained in the Act itself. We have to see whether those principles are satisfactory ones to be applied in the future, and whether they have been applied in the way we think they ought to have been applied in the past./

MR. O'DONNELL: Quite.

THE WITNESS: That is true. That is all I refer to -

THE CHAIRMAN: We are not hearing an appeal now.

THE WITNESS: No, I did not intend that. I just merely say that if the Act is to be there it should be applicable to everybody in their class of business.

MR. McPHERSON: I think there is this point. It should be noted that the principle of an agreed charge, which has been discussed between the witness and counsel for the past few minutes, is a principle which was first introduced into the Transport Act in 1938 as a device to meet truck competition, and was introduced at the request of the railways. I think that is true.

MR. O'DONNELL: I will have to let the Act speak for itself. With deference and respect for my friend, Mr. McPherson, as to why it was put in there, section 13 shows that the net effect on the revenue of the carrier is the matter that, in my submission, it was intended to take care of. It might be with regard to truck competition or anything else, but if the railways of Canada could, by making a contract with a shipper, procure business for the railways which would increase the net revenue of the carriers, the railways were entitled to make that contract, subject always to the absolute control of the Board of Transport Commissioners. The Board of Transport Commissioners have to approve all these agreed charges, and that was the case that we had in connection with Mr. Christian's appearance before the Board. On page 2 of the judgment there is a short extract which makes the principle clear. It reads:

> "The object of the agreement is to secure for the applicants" -- that is the railways -- "movement by rail of the total requirements of the shipper in the Saskatchewan market at a scale of rates which would, taking into consideration all factors, increase the net revenue of the applicants."

That was the test. Under the Act the Board is free to consider all considerations which appear to the Board to be relevant. The Board has the most complete discretion in that respect. That was clear in the judgment of the Privy Council which is referred to in this judgment. It was held there that the Board was not restricted in any negative way. Lord Macmillan said:

> "Not only is it not precluded negatively from having regard to any considerations but it is enjoined positively to have regard to every consideration which in its opinion is relevant. So long as that discretion is exercised in good faith the decision of the Board as to what considerations are relevant would appear to be unchallengeable."

One of the considerations which it had to look into was the effect of section 35, subsection 13(b) on the business of any shipper by whom, or in whose interests, objection is made to the approval being given to an agreed charge. That is the section under which the Anglo Canadian Oil Company, the Imperial Oil Company, and two or three other companies, the North Star Oil Company and the Confederated Co-Operative, got into court. They said this will affect our business adversely. There was the most complete review of the matter. There were 540 pages of testimony, as set out in the judgment, eighteen exhibits, four days hearing. There was written argument subsequently, and then the Board found, with respect to each one of these complainants in turn, that they were not affected. With respect to the Imperial Oil Company it says at page 5:

"I am of the opinion that the agreement will have no detrimental effect upon the business of Imperial Oil Limited in this market."

Then it goes on to deal with Anglo Canadian and the others, and the conclusion is reached that through the making of the agreed charge a substantial increase in net revenue would accrue to the railways by the operation of the agreement compared with the former methods of distri bution, which included the haulage inbound on crude oil and the movement of refined products by truck and rail. That is from the judgment. It reads further:

"Subsequently when it was alleged by objectors to the agreement that a lower gravity crude" --

That does not enter into the picture very much, but if it is of interest I will be glad to read it. There was a discussion as to whether or not, through the use of another type of crude oil, there would be any difference in the picture.

THE CHAIRMAN: Apparently this is going to be a judgment that we shall have to read ourselves.

MR. O'DONNELL: Yes. I read again from the judgment:

"These exhibits have been carefully analyzed by the Board's Bureau of Transportation Economics and the premises have been verified."

There is a further point on page 6.

"Evidence was submitted to show that the shipper, by virtue of the agreement, would be maintained in the Saskatchewan market at approximately the same cost level as it enjoyed under the processing agree- ment it formerly held. If it could be shown that

the agreement placed the shipper in a more advantageous position than it could obtain otherwise, I think it would be a relevant consideration to which we might have regard. It was not so shown."

I might say that McColl Frontenac have been in the Saskatchewan market for many years. It had procured its refined products through causing crude oil to be shipped to the refinery of the Imperial Oil Company at Regina, and the Imperial Oil Company processed the oil and delivered the refined product to McColl Frontenac for the supply of its outlets in Saskatchewan. McColl Frontenac had a considerable investment in Saskatchewan. It developed considerable business. At a certain time Imperial Oil said, "We are not in a position to continue the arrangement. You will have to refine your products elsewhere." Immediately McColl Frontenac had two or three options open to it, and those options are reviewed in the judgment. I should say in the evidence in that particular case. The witness says that it had to ship from the head of the lakes. That contention was seriously debated. It had open to it the importation of the refined product from south of the boundary, and thereby the railways would merely have a short haul from the international boundary to Regina.

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There were two or three other ways in which it could have got another.

McColl Frontenac said to the railways: If you will give us an agreed charge we will undertake to give you all our business. But if you do not, then we may consider building a refinery at Regina; and if we do so, then we will dowhat the others are doing, we will use trucks, and you will be precluded from that portion of the business, the outbound business from the refinery; and we will import crude oil, and youwill lose again. Under all those considersions you will lose out; you will be worse off. And the railways at that time were in need of revenue, so it was deeded advisable to enter into that charge which was subsequently approved.

A. I think Mr. O'Donnell has presented the case in the interests of McColl Frontenac. I believe he represented McColl Frontenac at the time. I do not blame him for representing the interests of McColl Frontenac; but I would point out that anybody with common sense would know that, if I had an investment of $5 million situated in Saskatchewan, and it was going to be a temporary measure for me to ship gasoline - even if I never made a dollar - and we had to do it ourselves in some circumstances; they had to ship that from thehead of the lake. There wasn't any more reason for giving them that 30 per cent, because they had to protect their interests. Iwould be very much interested in knowing how much the railways had to pay back to McColl Frontenac dating back two years,

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including our own railway, the Canadian National Railways, which might have had the revenue. And Mr. O'Donnell says it did not affect anyone else.

Q. I merely read the judgment.

A. I still submit that it does affect others and that Imperial Oil shipped in three times as much oil as McColl Frontenac and B.A. did; yet they had to pay thefull class rate, while McColl got 20 per cent off. That is all the argument I have before the Royal Commission.

MR. FRAWLEY: Q. There is a feature which I feel it is my duty to bring to the attention of the Commission. Mr. Christian,was it agreed that, if the agreed charge had not been granted to McColl, they would have had to establish refinery facilities in Saskatchewan to serve the Saskatchewan area?

A. They put up two threats, and to a person who is not in the oil business and does not know the market on the other side of the line, I think Mr. O'Donnell will admit this: They said, we will bring the gasoline across through Portal, or we will have to build a refinery in Regina or some western point and bring the crude in.

Q. Fromwhere?

A. They are connected with the Texas company. It is the same company.

Q. Let me put this to you: If McColl had established a refinery in the year 1949 in Saskatchewan, is it not obvious that they would have taken from the surplus fields of Alberta.

Q. And not having built the refinery in Saskatchewan, they are bringing in the refined product from the head of the lakes.

A. That is right.

Q. And not having built the refinery in Saskatchewan, they are bringing in the refined product from the head of the lakes.

A. That is right.

Q. And those refined products are derived from crudeswhich are imported from the United States?

A. Right.

Q. Yet the Alberta oil fields are now over-producing their existing markets.

A. Correct.

Q. And they will be in a position of over-production for quite a long time, and until the pipe lines are built to take the crude to distant markets.

A. Right.

Q. So now, thanks to the agreed charge, McColl is now distributing United States crude in the province of Saskatchewan coming frm the head ofthe lakes while Alberta crude is being shut back into the wells.

A. That is right.

MR. O'DONNELL: Q. I have two or three more questions; and I think rather than to get into a discussion with the witness,I shall simply say that the Commission will find, in the detailed evidence of that case, all the facts which were discussed, and will

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find that my friend's contention is fully and completely refuted.

You say in your brief, Mr. Christian, that the Transport Board should be composed of men who : thoroughly understand transportation in general. Would you not agree with me that Commissioners who have long experience, such as Commissioner Stoneman,who has been twenty years on the Board, and who comes from the West anyway, might have a fairly complete knowledge of transportation matters?

A. I am not making any statements against the Board as to their abilities. But Ido say that no man is able to judge a thousand and one things without the proper advice at the back of it in relation to the subject which comes up, and it has been my experience and I would say from this same judgment that I do not think they went into the figures in a proper manner.

Q. Do you say thatyou feel that the Board should not have to rely on figures as presented by the railways?

A. Correct.

Q. And do you think that is the situation?

A. I do.

Q. You think that the Board just accepts any figures?

A. No.

Q. Are you aware of the fact that the Board has a bureau of transportation economics?

A. Let meask you a question.

Q. No. You answer my question first. Are you

aware that they have a bureau of transportation economics?

A. I do not know about the economics part of it.

Q. And are you aware that they have traffic experts, operating experts, economists and people of that kind who investigate the rates and advise the Board?

A. They have freight rate traffic experts?

Q. Yes, as well as operating experts, accountants, economists, and all the essential paraphernalia which go to arrive at a proper conclusion.

A. During this examination it came up and you mentioned the fact that the railways thought they would make more money out of hauling refined gasoline from the head of the lakes instead of building a refinery in Regina. Even if they had to haul the crude temporarily in there, ... figures were shown that the railways would have made more money. I would like to know if those traffic experts, which you suggest are there, I would like to know how they arrive at the fact that the railways could make more money out of hauling gasoline instead of crude and gasoline.

Q. I see. All I asked you was whether you knew there were people of that kind advising the Board.

A. If that is correct, and if they have got proper experts there - but I shall make it my business to find out.

Q. Coming now to page 2, you say at the top of the page:

"We are definitely against the railways being allowed to smother competition by getting control of truck franchises, and we think, in the best interests of the country the Commission should study this matter carefully."

What is your view, as a practical man and a user of trucks with respect tothe co-ordination, if any, which should exist between transportation by trucks and transportation by railways? Have you any views on it?

A. I am not against the railways buying truck lines out. But I am against the railways having a line here, running between Winnipeg and Brandon, and eventually buying up the francise issued by the Provincial Government to an independent trucker, and the result being that only one franchise is issued, and that brings it back into a monopoly, if the railways buy out that truck line. I feel that a trucker should go in, and that there should be at least two franchises issued on that route, so that there will be competition in there. Before the 21 per cent rate there was not any competion between trucks.

THE CHAIRMAN: Q. Are you sure that any other trucker would want to compete?

A. Certainly, Mr. Chairman. Theywould be tickled to death to do so.

Q. With the truckers?

A. Yes, sir.

MR. O'DONNELL: Q. In Manitoba there is control of truckers?

A. Yes.

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Q. And there is control in the adjoining province of Saskatchewan?

A. Correct.

Q. But there is no control in Alberta?

A. No control in Alberta and in Ontario, I understand. Should there be, in your own interests some unified control by somebody over transportation generally, including truckers?

A. I am not in a position to go into the general transportation problem. That is not my business. I am interested in there being competition.

Q. Are you interested in suggesting to the Commission that it would be a proper thing to allow trucks to take all the highway remunerative business and to leave to the railways the carriage of the balance only; or should not there be some division possible between the available traffic, dividing it in such fashion that whichever facility could best handle it should handle it.

A. Let me put it this way: When you enter free enterprise, you must have competition, and naturally you are shipping the way which is cheapest. If a man gets a franchise on a truck haul to a certain point, and he finds that he can haul certain loads which are more beneficial to him, like the railroads, why he just does it, and one concern should not be favored over the other.

THE CHAIRMAN: Q. Mr. O'Donnell asked you: Is there anything to prevent competition with trucking in the province of Manitoba or between here and

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the other provinces.

MR. O'DONNELL: Q. Mr. Christian, may have some knowledge as to that. Have you any knowledge as to that?

A. Yes.

THE CHAIRMAN: Is there anything which prevents competition?

MR. O'DONNELL: I am not entirely familiarwith the regulations which prevail in Manitoba. But I understand that the restrictions on trucks are such that they may only operate between given points.

MR. O'DONNELL: Q. Is that coreect?

A. I do not know a great deal about the trucking situation inManitoba but I do know this -

Q. You have your own trucks?

A. We hire P.S.V's which are licensed by the government.

Q. By P.S.V. you mean public service vehicles?

A. Yes. And my point is this: Let us take a run between Winnipeg and Brandon; and if, by any chance, the railroads buy up the franchise on that run and the government do not see fit to issue any more trucking franchises - -

THE CHAIRMAN: Q. What government?

A. The provincial government; if the provincial government did not see fit to issue any more truckingfranchises the railroads would immediately come into the picture and say: Your truck rate will be the same as the railways. So,yousee, it would wipe out competition.

MR. O!DONNELL: Q. What is your view on that?

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Should there be any restricted competition? Should highway traffic be allowed to displace the railways?

A. They do in Ontario. Take the water transportation in Ontario, what would you do with that?

Q. I am asking you what your view is.

A. But when you are talking about free enterprise you have got to stay with it.

Q. And on your basis you would have no unrestricted competition.

A. Well, there is in other businesses?

Q. And you are all for that?

A. I am all for that!

Q. Should trucks be regulated on some basis as to what they should charge?

A. I think, in issuing a franchise to the trucks, you should look into the stability of the man who gets the franchise. I think you should take into consideration whether or not he is stable, can carry his insurance, can take care of his public liability, and is capable of upholding those things. I feel that such considerations should be weighed, and if he has the finances back of him, then he should be granted a franchise.

THE CHAIRMAN: Q. You say you think there ought to be some controlling body, although there is not any in Ontario.

A. Yes, sir, I am given to understand that; that is my understanding with respect to Ontario and Alberta.

Q. And you are not in favor of the Ontario

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system?

A. I think there should be a supervising board. I do not say that every Tom, Dick and Harry should go into the trucking business. But I do think that a person who wants to put on trucks and who has got the financial backing and can give the proper service, and is reliable, I think he should not be shut out against a monopoly; and if you allow the railroads to buy up these truck lines, and do not issue additional franchises, then you have got a monopoly.

Q. Should the rates be controlled?

A. I do not think so any more than our rates are controlled.

Q. Anything which comes within the jurisdiction of the province of Manitoba is of interest to us and we are interested in knowing about it.

MR. O'DONNELL: Q. I presume the regulations will be secured by your staff and will be made available to you.

THE CHAIRMAN: We intend to find that out; we cannot proceed on that basis.

MR. O'DONNELL: Thank you, Mr. Christian.

COMMISSIONER ANGUS: Q. If it is your suggestion that there should be competition, and the truck competition should operate so as to reduce the railway lines, where it exists, is it also your contention that it should reduce the railway rates, where it does not exist?

A. I am not in a position to discuss that situation. My contention is that I do not care what rates are fixed on the railways, so long as each particular business, and everybody pertaining to that line of business is not discriminated against by some competitor who may have a rate that I cannot get.

THE CHAIRMAN: They submit that you could get the same rate if you complied with the same conditions.

COMMISSIONER ANGUS: Q. You say that"the required earnings should be equally distributed throughout the country and not have one part (because there is no water and very little track) bearing costs that should have been equally distributed."

A. That is quite true, if they are hauling freight at a loss in one part of the country.

Q. They are hauling it at a loss in all?

A. No, I do not say theyshould do that; but there is no reason why they should make up that entire loss out of one, two or three provinces, as the case may be.

Q. They would have to make up some of it.

A. They would have to make up some of it, but you could spread your rates over the whole area. They tell me that some of the eastern rates are ridiculously low.

As far as our own business is concerned, I would not attempt to ship gasoline down into eastern Ontario, or rather into the western part of Ontario, I should say, at a loss and then charge the farmer sitting down in Dauphin to make up for that; it is the

same principle.

Q. In bringing up this example that we have heard so much about, were you suggesting that the Commission should recommend an amendment to the appropriate section of the Transport Act dealing with agreed charges? Are you asking for a change in the law? Or are you merely saying that the law is not administered as you would like it administered.

A. I am not asking for a change in the law. I am saying that, when I get an agreed charge, then you, as my competitor, should be able to get exactly the same thing, provided you agree to the conditions and do exactly the same as I do. I have no idea about agreed charges or what they are for, or anything else.

THE CHAIRMAN: Q. You mean that they arise between the shipper and the carrier; and that if you wish to enter into that same agreement, according to the Act you should be able to do so. But we were told that McColl Frontenac said that they would ship all their output through the railways, and you would not agree with that?

A. I could not agree with that because we do not ship any from the head of the lakes, but if you say that the head of the lakes is a terminal point - -

Q. Under the Act at present, in order to be heard as a party to an agreement, you must be prepared to comply with the terms of the agreement.

A. Quite true.

Q. And you say that is wrong and that the Act should say, whether or not you are willing to comply with

the agreement, you should be entitled to the lower rate simply because you are in the same business.

A. No. First of all take the agreed charges out of the refinery. That is a special agreement, out of the refinery such as in Calgary, Regina, Moose Jaw, or Sarnia, the agreed charges made out of those refineries, I do not know what they are but I think they have a radius of 20 miles in which they are allowed to truck; the refineries are allowed to truck; then they are permitted to charge for runs over 150 or 200 miles, I just forget which. Then they say: We will give you all our own business. That means that if I were to do that, and comply with that, we might sell gasoline to other companies surplus, but it would be deducted from that, because that is not our own business.

The agreement I put before the Canadian Freight Association was: That I guaranteed to give them 60 per cent of our total output, and if they said: Sit down and finish the thing out, but they do not get 35 per cent of Imperial Oil's own business on their agreed charge rate. Then I came back and said: All right, that seems to be a different setup, so let us go back to what Calgary has. I will do better, because I can truck within 20 miles, which is an advantage to my company, locally, and within the twenty miles they would probably lose about 40 per cent of the output. I agreed to wipe out all our trucks and give them the business with a 60 per cent guarantee, but I couldn't get to first base.

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Q. You were trying to make a different deal with the railways from the one which McColl Frontenac made, and they wouldn't agree. What do you want done for the future? You know there is such a thing as an agreement between two parties; you have to make a certain agreement. And here the railways said No. There is nothing in the Transport Act which would compel them to accept your offer.

A. That is true.

Q. What then do you want to have done with it? You base your whole claim on the fact that they did make an agreement with somebody else, and you say that agreement prejudiced or hurt you in your business.

A. Yes.

Q. And it hurt you in your business because you have no lower rates on your agreement.

A. Yes.

Q. So youwould like there to be an amendment to the effect that wherever there is an agreement then anyone in the same line of business should be entitled to the benefit of the rates made under that agreement.

A. That is right. I am coming back to the argument and I was refering to the refinery shipments of our competitors in the west. They canship under an agreed charge which is a very low rate where it comes in. So we say: Give us the same as you gave the refineries in Calgary or Regina and we will agree to exactly the same conditions.

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Q. So there is no agreement?

A. So there is no agreement.

Q. Then you say in that case the law should give you the benefit of the rates?

A. Yes.

THE CHAIRMAN: Well, I see. I think I understand. Have you any more questions?

MR. O'DONNELL: I have no more questions, except to draw to your lordship's attention this fact, that under the Act a shipper can object,whether he wishes to enter into the agreed charge or not; he does not have to. That is Section 35(5)(a)..

THE CHAIRMAN: He must have some ground of objection.

MR. O'DONNELL: That is right, but he does not have to agree to enter into the agreed charge in order to object. If he can show he is adversely affected, that is all he needs to do.

THE CHAIRMAN: Have you any questions, Mr.Covert?

MR. COVERT: No.

THE CHAIRMAN: All right, thank you very much.

MR. COVERT: The next brief is that of Mid-West Metal Mining Association.

F. D. SHEPHERD, called

MR. SHEPARD: This is Mr. F. D. Shepherd, Secretary Treasurer of the Mid-West Metal Mining Association, sir.

THE WITNESS: In July, 1947, an opportunity was afforded to the Mid-West Metal Mining Association to

to present a brief to the Board of Transport Commissioners for Canada, regarding a proposed 30% increase in railway freight rates. The membership of this Association includes all the base and precious metal producing mines in the Provinces of Manitoba and Saskatchewan, in addition to a number of others in the course of development or equipment for production.

Certain viewpoints were expressed in that submission which we believe should be directed to the attention of the Royal Commission on Transportation now sitting. At that time it was stated, "we believe that satisfactory transportation services will be maintained only if the rates in effect assure the railway companies a reasonable profit on their operations. As in every other industry, their costs have risen. What the increase in the rates should be, we do not presume to assess, since we have not the data, knowledge or experience. We can, however, indicate briefly what effect higher rates will have on mining in the midwest, confining the remarks to general principles rather than to specific instances."

THE CHAIRMAN:Q.Who advanced this?

A. That was our submission on the occasion of the presentation in June, 1947, to the Board of Transport Commissioners.

MR. SHEPARD: That was made by you, was it?

THE WITNESS: Yes.

We feel, however, that satisfactory transportation services should be maintained at a high level of efficiency under all circumstances, but we do think that

the Canadian public will show little sympathy towards the continued granting of increases in freight rates without the railroad companies themselves giving positive assurance and evidence of sound housekeeping methods.

In addition, it was pointed out that "the exploitation of the Precambrian area of the two provinces, amounting to 45% of the total, depends very largely on the success of mining development. Were the present mines to close down, the population of all that vast region would dwindle to a few fishermen, trappers and fur traders, with some lumbering and pulp cutting operators along the southern fringe. Currently 90% of the revenues of the railways north and north-east of The Pas derive directly or indirectly from mining. The future depends on the continued operations of the mines and even more on the discovery of new producers. The costs of mine exploration, development and equipment for production have risen sharply in the last eight years, sometimes doubled, greatly increasing the financial hazard of this exceedingly risky business of finding mines and consequently reducing the number of ventures and of new mines. It could lead to gradual extinction of mining and an almost deserted northland."

Production from that portion of the Precambrian mineral area in which we are primarily interested, indicates a dominance of base metal deposits such as those of copper, zinc, nickel, chromium, lithium, in addition to those of gold, all of which do or will contribute substantially to railway traffic. The

transportation problems to be faced in a development of deposits of all of these minerals fall into a similar pattern. Their discovery and preliminary exploration is, in most instances, dependent upon the use of aircraft. More intensive development requires the construction and maintenance of winter roads capable of handling heavy tractor trains. The production stage of the mine is best serviced both from the viewpoint of the operation, and, from the community depending upon it, by either an all-weather road or railway or both, together with a well-established airplane service.

In a brief presented by this Association in May, 1946, to the Standing Committee on Natural Resources of the Senate of Canada on the Economic Value of Metalliferous Mines in Canada, the following statement was made regarding the requirements of the mining industry in this area in respect to transportation. "In the matter of construction of roads into mining areas, it is deemed essential that the potentialities of the area be given prior consideration rather than waiting until one particular mining operation should suddenly require improved transportation facilities."

With reference to air travel, it was additionally stated that "it is felt that immediate consideration should be given to the construction of air-strips in stable northern communities in order to prevent complete isolation of these communities during the seasonal periods of freeze-up and break-up."

In the submission to the Board of Transport Commissioners made in July, 1947, the following statement

was made which has not changed in its significance since that time. "Since industrialization of the prairie region is in its early stages and provides practically no markets for the products of the mid-west metal mines, they must seek them in Eastern Canada, North-eastern United States or in Europe. Here they meet competition of the eastern mines at a disadvantage due to the higher freight rates from mine to markets. In addition, the mid-western mines suffer the higher cost of freight on many items of equipment and supplies consumed in producing their metals."

"To increase these rates by a flat percentage will only aggravate the present handicaps of the mid-western producer. Political leaders have recognized the necessity for adjustment between the various parts of the Dominion to compensate for inequalities of distance, population, markets, natural resources, etc. The same necessity exists here and unless the railways also recognize it in adjusting their new rate structure, mid-western mining, especially of base metals, must operate at a greater disadvantage than in the past."

It is more than possible that base metal operations in the Central Northern region of Canada will be productive of large tonnages of marginal grade by-product materials, such as pyrite residues, (potential sources of iron and sulphur). Attention is therefore directed to the need for the exercising of wide latitude in establishing special rates to assist in the movement of this type of material. It is believed that this principle

is entirely consistent with the demands of a sound natural resources conservation policy. It is too late when the higher grade reserves of a mine have been depleted to institute methods of salvaging the marginal grade material. Everything should be done to assist in the orderly extraction of all usable material during the active life of a mining operation. Flexible transportation rates can assist materially in this regard.

It is also desired to emphasize the importance of maintaining a velocity of freight movement that would be consistent with capacity loads on schedules calculated to reduce fixed operating costs to their minimum.

Summary

1. We feel that satisfactory transportation services should be maintained at a high level of efficiency under all circumstances, but we do think that the Canadian public will show little sympathy towards the continued granting of increases in freight rates without the railroad companies themselves giving positive assurance and evidence of sound housekeeping methods.
2. Greatly increased costs of mine exploration and equipment for production make it imperative that all service charges to the mining industry should be maintained at an absolute minimum as a means of encouraging mineral development in areas whose economic future depends almost entirely upon the mining industry.

3. As a matter of Government policy, we feel that reasonable transportation facilities should be provided into areas of potential mineral wealth.
4. Stable northern communities should be provided with air-strips.
5. The mining industry of midwestern Canada needs the assurance of flexible adjustments in freight rates in order to compete with other mines operating in regions closer to the consuming markets.
6. Flexible transportation rates should be available, especially in the instance of marginal grade by-product material.
7. Velocity of freight movements should be consistent with capacity loads on schedules designed to effect reductions in operating costs.

It is the desire of the member mines of this Association to express their gratitude for this opportunity that has been provided for them to present their views on the transportation problem as it presently exists in the mineral areas in which they are so actively interested.

MR. SHEPARD: I just want to ask one or two questions, Mr. Chairman.

EXAMINED BY MR. SHEPARD

Q. Mr. Shepherd, I take it that one of the main purposes of your submission is to point out for the benefit of the Commission the necessity of opening up and keeping open the northern part of Manitoba and Saskatchewan and further west?

A. That is correct, yes.

Q. And that you feel that in the long-range economic picture of Canada's development, unless those transportation facilities are available, either by rail, all-weather road or airway, and preferably by all three, the development will be hindered and in fact retarded?

A. That is one of the purposes of the brief, yes.

Q. There are two or three references to railway matters particularly. I assume that you do not hold yourself out as a technical railway expert?

A. No, by no means.

Q. That is all, thank you.

THE CHAIRMAN: Any more questions?

MR. O'DONNELL: I have none, Mr. Chief Commissioner.

MR. EVANS: I have none.

THE CHAIRMAN: Thank you very much.

COMMISSIONER INNIS: Q. I was wondering, is there underlying in this brief a feeling that the railroads are a bit timid, cautious, conservative, lacking initiative in building roads, and so on?

A. Not the railroads. Since there are no further questions, I may elaborate a little on our underlying feeling in this regard. One of the problems facing Canada and the mining industry is that we have had no large major discoveries in many years. I would not presume to say that any railroad should be encouraged to build into an area until an economic undertaking or a reasonable chance of it could be shown. There were rather broader terms of reference to this Commission than there were to the Transport Commission, and so that is why I undertook to mention the question of roads, mining roads and air service.

Q. You are more concerned with those?

A. We are more concerned with that. The situation as it exists is this, that the Dominion and the Provincial governments spend large amounts of money in making very comprehensive geological surveys; they having made those, certain areas can be said to have reasonable possibilities of future discovery. We would prefer when that is established to see the Dominion or the Province or both working together put some adequate means of transportation into those areas rather than waiting till some company is faced with the problem of completely servicing a new operation.

MR. COVERT: Mr. Chairman, there was one question upon which I thought you might like some explanation; that was item 6 on page 3 of the brief:

> "Flexible transportation rates should be available, especially in the instance of marginal grade by-product material."

Q. I was wondering if you could perhaps clarify the word flexible". Do you mean alter the rates from time to time or ---

THE CHAIRMAN: Where is that, Mr. Covert.

MR. COVERT: It is item 6 on page 3 of the brief.

THE WITNESS: That was the underlying principle there -- material the value of which is changing, yet it is very marginal -- and I speak with perhaps particular reference to the large amount of waste by-product material say that is being handled both by Sherritt-Gordon and Hudson's Bay Mining and Smelting and Base Metals Mines. This pyrite residue which is merely being stock piled and has been stock piled since the beginning of operations -- there is a chance with industrialization of the West that this may be a potential source of sulphuric acid and pyrite. We do not know what the value of it is going to be. We would like assurance of the ability to continue negotiations to arrive at rates.

COMMISSIONER INNIS: Q. That can be done under the agreed rates?

A. Under the agreed rates.

COMMISSIONER ANGUS: Q. Mr. Shepherd, do you suggest that the flexible transportation rates should really be flexible as a matter of business judgment by the railways or that some policy should be imposed on the railways by law?

A. The basis of arriving at agreed rates insofar as the companies are concerned has been satisfactory.

MR. O'DONNELL: Q. Has been?

A. Has been satisfactory.

MR. COVERT: The next, sir, is the Pioneer Electric.

RICHARD NOONAN, called

MR. SHEPARD: Mr. Chairman, this submission is being made by Mr. Richard Noonan, General Manager of Pioneer Electric Limited.

THE WITNESS: Mr. Chairman, I think by way of general introduction I should like to say a little bit about the fact that we probably are a little different from quite a few of the cases I have had the privilege of listening to to date. Before coming to that, I should like to say that we have presented this case to the C.F.A. in two instances. The first time we wrote a letter explaining our situation they wrote us a letter back after a month or so saying they had considered this case and we need not bother them, so of course we were not satisfied to be brushed off that readily, so we took it back to this famous Mr. Flynn, and of course they did grant us a hearing when we made a racket about it. Then of course we discussed it with the Winnipeg Chamber of Commerce, and at both interviews the railway officials and other people were very sympathetic, but of course we got nowhere at all, and we were told that we probably wouldn't get anywhere, but I have since heard there are further possibilities.

Now, we are a firm of electrical manufacturers. All our capital stock is held in Winnipeg, and we were

established in 1946. Our head office is in St. Boniface, and our factory is there also. We set out primarily to serve the Manitoba market, and have in the past year been making an effort to get into other western markets as far west as Vancouver. However, we are finding that the margin of profit is very small in Saskatchewan and Alberta, which I will try to show you later, and in B. C. we feel we are lucky if we break even and pay all our costs, including overhead, primarily due to the very serious freight disadvantage.

Our product is a pretty heavy article; it averages around a hundred pounds per cubic foot, and it is not a particularly high-priced piece of goods; it is around 40 cents a pound.

I am not reading the brief entirely here, because I realize that time is short and you have quite a bit of it piling up here.

THE CHAIRMAN: You may read it if you like; it may be shorter, after all, if you read it.

THE WITNESS:

Introduction

We have presented our case firstly, to the Canadian Freight Association in Winnipeg; and secondly, in committee to the Winnipeg Chamber of Commerce. In both cases, we received a great deal of sympathy, but no help.

We are a firm of electrical manufacturers, specializing in the production of all types of electrical transformers. Our head office and factory are located

in St. Boniface. The greater proportion of our business is confined to Manitoba, because of the adverse freight situation. In the past year we have shipped a fair amount to the western provinces and to B.C., but our business, particularly in B.C., is very marginal, due to the excessive freight disadvantage which we are forced to work under.

The Product

By way of general description, our product -- electrical transformers -- is very heavy, weighing approximately 100 lb. per cubic foot, crated, and the value varying somewhat, but averaging about 40¢ per lb. An electrical transformer consists primarily of the steel tank, inside of which is a silicon steel core, about which is wound copper wire coils. This internal assembly is held together by a steel clamping frame, which is securely bolted to the inside of the tank. The only possible point of damage is the heavy porcelains, which project from either side or top of the transformer, and through which the electrical leads are brought.

In other words, the transformer is a very rugged, substantial piece of equipment. In spite of this fact, the railway insists that they take a first-class rate in their rate book, if shipped l.c.l.

Freight Rates Comparison

The following table of rates will serve to show the serious handicap which we in particular, and industry in general, are under in Manitoba, when we attempt to ship transformers to customers outside of Manitoba.

And I should add there, by way of explanation, that is in the West, not in the East.

This comparison is made with our competitors, i.e., the Eastern electrical manufactures, who can ship transformers by pool car to Winnipeg, Regina, Calgary and Vancouver, whereas we in Winnipeg must ship l.c.l. first-class to these points.

In order to compare our freight costs with those of our competitors in the Toronto area, we first established what our average freight costs on incoming raw materials were, as these primarily come from the Toronto area. We calculated it to be approximately -- and we can substantiate this figure later if desired -- $1.85 per cwt. on the materials used for transformer manufacture. In the following table, you will note that we have added this to the first-class l.c.l. freight rates out of Winnipeg, thus giving us our total freight charge, which we can compare with the Eastern competition out of Toronto.

Thus our freight costs, including the addition of the freight charges on our raw materials from the Toronto area are:

l.c.l. freight		
Winnipeg to Regina	$1.52 + $1.85 =	$3.37
Calgary	$2.65 + $1.85 =	$4.50
Vancouver	$4.50 + $1.85 =	$6.35

Eastern competitors freight costs are:

Pool car	
Toronto to Regina	$2.49
Calgary	$3.07
Vancouver	$3.64

Therefore, our competitors in the Toronto area can ship to:

Regina for $0.88 less freight, i.e. 35% less
Calgary for $1.43 less freight, i.e. 47% less
Vancouver for $2.71 less freight, i.e. 75% less.

These percentages of excess freight which we have to pay are a typical example of just how unfair the freight rate set-up is for Western manufacturers.

We have compared the cost of shipping first-class l.c.l. out of Winnipeg with fourth class, or pool car, out of Toronto, because this is what actually happens. We would like to have the pool car privilege of Eastern manufacturers, which would solve our problem,but we cannot do that; it is not open to us. I will try to show you why.

The reasons for this are as follows:

(a) We are the only electrical transformer manufacturers in Manitoba, and hence have not the opportunity of pooling our shipments with the output of any other manufacturer in this area, and so as we do not produce enough transformers to fill a car even once a month for any of the three Western Provinces, electrical pool car -- I maybe should add there, electrical transformer pool cars, to be specific -- privileges are not open to us.

(b) Whereas our seven or eight competitors in the Toronto and Niagara districts can, through a common forwarding agent, pool their shipments and fill one or two electrical pool cars a week.

(Page 559 follows)

Therefore, on examining the above comparison of freight rates, it will be noted that when shipping from Winnipeg westward, the excess freight rates so increase the costs that the amount of business which a Manitoba firm can do in the other Western Provinces is limited, and thus the expansion of western industry itself is limited.

POSSIBLE SOLUTION

We are fully aware of the fact that as we are the only manufacturer of electrical transformers in Manitoba it will be a very long time before electrical pool cars are possible. On the other hand, if we were not restricted by the anti-mixing provisions of rule 10, - that is C.F.C. 19 - which prohibits the mixing of anything else whatsoever with transformers - I should like to add there that transformers appear under a distinctive heading; to the best of my knowledge, and we got this from the C.F.A., there is nothing that can be mixed with electrical transformers - there is a sufficient volume of other classes of fabricated steel products which are produced in sufficient volume in Winnipeg such that mixed pool car loadings at fourth or fifth class freight rates would be possible out of Winnipeg westward, so that at least weekly or bi-weekly shipments to other western centres would be possible. This, we submit, is a reasonable and altogether practicable solution to the adverse freight rates situation facing industry generally in Winnipeg.

These conditions and restrictions, largely enforced as a result of rule 10, obviously prevent the expansion of western manufacturing industries in nearly every class of goods. We therefore suggest that this Royal Commission

give most serious consideration to the same mixing privileges from Winnipeg westward as the railroads allow in eastern Canada. I should like to emphasize the words "from Winnipeg westward." This is all respectfully submitted by Pioneer Electric Limited.

THE CHAIRMAN: Q. Have you Rule 10 here?

A Yes

MR. SHEPARD: I have a copy of it.

THE CHAIRMAN: Read it.

MR. SHEPARD: It is fairly lengthy. Would you like me to read it?

THE CHAIRMAN: What is the gist of it?

MR. SHEPARD: I would sooner have the railway counsel tell you that.

MR. O'DONNELL: You will remember that we went into that the other day when Mr. Wilton was here, the witness of the Manitoba Federation of Agriculture and Co-Operation. At that time you will remember that the history of that mixing rule was put before the Commission, and it developed that in the west the mixing rule was a matter of indifference to the railways. That rule, as it stands, had been a matter of discussion among the interested parties in the west, particularly wholesale distributors.

THE WITNESS: Yes.

MR. O'DONNELL: And the railways were quite indifferent as to which way it was done.

THE CHAIRMAN: Who makes the rule?

MR. O'DONNELL: It is really just in the tariffs and approved by the Board. There is no objection, however, to a change being made. As we said the other day we are

quite indifferent. If the people who are interested wish to apply to the Board and get the rule changed that is a matter of indifference to us.

THE CHAIRMAN: Who are interested in maintaining the rule?

MR. O'DONNELL: I think principally the wholesale distributors in Winnipeg are the people who have the greatest interest in it. Possibly my friend, Mr. Fillmore, can explain that a little more, but I think they are the people who are principally interested. In any event, I would not want Mr. Noonan to think that the blame here is to be put on the railways. The railways are quite indifferent to this, and if the people interested wish to bring about a change it is for them to take the initiative.

THE CHAIRMAN: What should they do?

MR. O'DONNELL: What should they do?

THE CHAIRMAN: Yes.

MR. O'DONNELL: They should apply to the Board for a change in the classification rules. That is all there is to it.

THE CHAIRMAN: Q. You understand that?

A There is one point. The railways are responsible for the distinctive headings, and they have got transformers in one compartment on its own.

MR. O'DONNELL: Q. There is no other place it could go because it is a distinctive article, is it not?

A I wish to take exception to that. For instance, in Winnipeg not only transformers are produced but there is pole line hardware for various types of rural electrification. There is telephone equipment that is

redistributed, and there is lots of wire and cable which could mix in with other distinctive headings in this same class rate.

Q My point simply is that the railways have a large number of customers. All of them cannot be satisfied all of the time. That is evident, and the majority of them apparently wanted the mixing rule as it now stands. In so far as the railways are concerned, if those who are interested wish to bring about a change in the classification - and anyone may take the initiative - if Mr. Noonan wishes to apply for a change in the classification that is for him to do. Then he gets into difficulties with his co-citizens who may have other interests and will make representations which suit them. That is the way I see it.

THE CHAIRMAN: Have you anything to suggest, Mr. Fillmore?

MR. FILLMORE: Pardon?

THE CHAIRMAN: Have you anything to suggest to us? Your name has been mentioned. Are you able to enlighten us?

MR. FILLMORE: The Secretary of the Transportation Bureau is here. He instructs me that the Transportation Bureau of the Winnipeg Chamber of Commerce has not taken a decided stand on this question. Apparently there is a conflict of interests among the members of the Winnipeg Board of Trade. There is possibly a conflict of interest between the distributors and manufacturers.

MR. FRAWLEY: As the Commission will be hearing more of the mixing privilege as it proceeds westward, I

think it would be convenient if what Mr. Shepard has there could be either incorporated in the transcript or filed as an exhibit.

THE CHAIRMAN: Yes. Of course, we have this brief.

MR. FRAWLEY: I do not understand that it is a part of the brief.

MR. SHEPARD: I think Mr. Frawley is referring to Rule 10.

THE CHAIRMAN: Oh, to Rule 10.

MR. SHEPARD: It could either be filed as an exhibit or it could be given to the reporters to copy in.

THE CHAIRMAN: If they copy it in now we will have it.

MR. SHEPARD: I can give it to them.

"RULE 10

SECTION 1. Applicable between points east of Port Arthur and Armstrong, Ont. (See exceptions):

Unless otherwise provided, when a number of different articles, for which carload ratings are provided, are shipped at one time by one consignor to one consignee and destination, in a carload (see Rule 9), they will be charged at the C.L. rate applicable to the highest classed or rated article, and the carload minimum weight will be the highest provided for any of the articles in the carload. (Subject also to paragraphs "B" and "C" of section 2.

SECTION 2. Applicable between Points West of and including Port Arthur and Armstrong, Ont., and from points East thereof to Port Arthur and Armstrong, Ont., and points West thereof and vice versa. (See exceptions)

Paragraph (a). Unless otherwise provided, articles under different DISTINCTIVE HEADINGS (see Note) or articles that are not classified under DISTINCTIVE HEADINGS will not be taken in mixed carloads at carload rates. When a number of different articles under one DISTINCTIVE HEADING, for which carload ratings are provided, are shipped at one time by one consignor to one consignee and destination, in a carload (see Rule 9), they will be charged at the rate applicable to the article taking the highest carload rate and the carload minimum weight will be the highest provided for any of the articles in the carload.

Paragraph (b) Subject to the conditions of Section 1 and Paragraph (a) Section 2, when the aggregate charge upon the entire shipment is made lower by considering the articles as if they were divided into two or more separate carloads, the charges on each separate carload will be based upon the carload rate applicable to the highest classed or rated article therein and the highest carload minimum weight provided for any of the articles therein.

Paragraph (c) Subject to the conditions of Section 1 and Paragraph (a), Section 2, when the aggregate charge upon the entire shipment is less on basis of carload rate and minimum carload weight (actual or authorized estimated weight to be charged for if in excess of the minimum weight) for one or more of the articles and on basis of actual or authorized estimated weight at less than carload rate or rates for the other article or articles, the shipment will be charged for

accordingly.

Note - The distinctive headings referred to in Paragraph (a) Section 2, are shown in capital letters, as "AGRICULTURAL IMPLEMENTS", "GROCERIES", "HARDWARE", etc.

Exceptions -

Rule 10will not apply upon shipments of livestock.

Rule 10 will not apply to carload shipments moving at commodity rates, except where commodity tariffs otherwise provide.

Packages containing articles of more than one class will be rated in accordance with terms of Rule 17, Section 3.

THE CHAIRMAN: I understand from Mr. Fillmore that there is no policy that is agreed upon by the Winnipeg Board of Trade?

MR. FILLMORE: That is correct.

THE CHAIRMAN: The members of the Board are divided.

MR. FILLMORE: I am not in a position to make a recommendation one way or the other.

MR. O'DONNELL: Q. There is one thing I might ask Mr. Noonan. At the top of page 3 of your brief you make reference to a common forwarding agent. Is that --

A The Eastern Forwarding Company is the usual one.

Q That is an agency which goes around and seeks out people who have commodities in similar classifications?

A Yes.

Q Which can go to making up a car?

A Yes.

Q That would be a pool car?

A Definitely.

Q And these people make a charge for their services, do they not?

A Yes.

Q How do they work it?

A Well, if you are shipping all fifth class in a car the nearest I can tell you is that it amounts to about fourth class rate when you have paid all the charges.

Q But you have to pay the pool car operator for his services?

A That is what I am saying. When you have paid all those charges, if you are shipping fifth class your total pool car charges will bring the total amount paid to an

approximation of the fourth class rate.

Q And the pool car operator is a businessman independent of the railway?

A Yes. The example is the Eastern Forwarding Company of Hamilton.

CROSS-EXAMINED by MR. EVANS:

Q I should like to ask two or three questions. Let me have this clear in my mind. A shipment in a pool car by an eastern competitor of yours is not a mixed car. It is merely a pool of this same type of equipment, is it?

A That is right.

Q So that moving from east to west your competitor cannot mix but he has the advantage of the pool?

A He has the advantage of very large production to draw from.

THE CHAIRMAN: The advantage of what?

THE WITNESS: Of large production. There are seven or eight firms in eastern Canada.

MR. EVANS: Q. I assume it is also true that the different manufacturers in Winnipeg could enter into a pool? You could get the advantage of a pool car?

A Yes.

Q I suppose it is a sort of mixed blessing, to have your competitors in Winnipeg and get the benefit of the pool car?

A That is right.

Q On page 2 - and this is all I want to ask you - you have made a comparison there with your competitors as to the cost of shipment to Regina, Calgary and Vancouver.

Would this be fair, that you are manufacturing here, and you have what might be called a geographical disadvantage as regards your incoming raw material?

A Definitely.

Q And that would be something, I assume, that is quite apart from any question of freight rates. Your level of rates would be something, if you located here, that you would expect to meet?

A That is correct.

Q I was going to suggest to you that, that being so, would you not agree with me that perhaps it would hardly be fair, in making your comparison on page 2, to include the cost of hauling the raw material from the east?

A No.

Q Because that is a condition you have to meet anyway?

A No, it should be cheaper to move materials in bulk than to move finished articles.

Q Perhaps you misunderstand me or perhaps I misunderstand you. We start with this, that you elected to locate in Winnipeg knowing that your raw material must come from the east, and that was a geographical disadvantage as to your source of raw material. Is it not more fair to compare your competitive position on your finished product without regard to any other disadvantage which you elected freely to take when you located in Winnipeg?

A No, I do not think you understand me, sir.

Q Would you answer my question?

A The suppliers of goods to the transformer manufacturers in the Toronto area are there.

Q Quite.

A And they pay freight to Winnipeg or the other cities mentioned.

Q Yes.

A Now, that should cost them more than us bringing our raw materials in bulk to Winnipeg and selling them in Winnipeg. Do you follow me there?

Q I quite get your point, but I think we are at cross purposes. Go ahead.

A But we are talking about shipping transformers to Regina. Now, freight is freight. We pay freight on raw materials from the Toronto area to Winnipeg. Then we pay additional l.c.l. freight from Winnipeg to Regina. I do not think it is unfair to add the total freight charges that are involved in the case of that transformer even though some of them are prior to its becoming a transformer. There is nothing unfair about that.

Q Perhaps I have not made myself clear. Perhaps I am being unfair to you, but I suggest to you that when you elect to establish your business in Winnipeg you at that moment put yourself at the disadvantage which represents the haul on your raw material from the east?

A No, sir, an advantage over our competitors, a definite advantage, because we can bring in carload materials and produce the finished article on the spot and sell it here, and they have to ship in the finished article.

Q Yes.

A That is O.K. in Winnipeg. We have the advantage in Winnipeg.

Q You have the advantage in Winnipeg because ;you are closer to these further western markets ?

A Yes, we have the advantage in our local sales in Manitoba - let us put it that way - which is really Winnipeg.

Q Yes?

A in case we want to expand our operations, and it is only natural for any private enterprise to wish to do that, we are investigating markets and are making experimental sales, if you want to call them that, to the other western centres, but we are faced with an l.c.l. rate. The rates are excessive.

Q I am not quarreling with you about that. What I am suggesting to you is that, all things being equal, if you locate your business in Winnipeg, and you are competing with manufacturers in the east, your prime concern as regards the level of rates is to have a scale of rates on the the finished product fromyour plant on the basis of reasonable equality with the scale of rates on theirs. That is why I suggested to you that in measuring this question as to your disadvantage in getting your processed article out of Winnipeg it perhaps would have been fairer not to have included your raw materials as a measure of your disadvantage?

A It is still there because we pay so many dollars for freight, and we have to pay that fee.

Q Oh, I think you are quite right on that. I just suggest that to you.

CROSS- EXAMINATION by MR. FRAWLEY

Q. Mr. Noonan, Rule 10 is quite a straitjacket in your business?

A Well, I would like to answer that somewhat equivocally. We do not care how Rule 10 operates between Winnipeg and Toronto. What we do worry about is how it operates Winnipeg and west.

Q I am talking about the western operation entirely, and the fact it is restricted in the west operates detrimentally to your business?

A Yes.

Q You went to the Canadian Freight Association for relief?

A Yes.

Q What were you told by them?

A That it was no problem of the railroad.

Q That it was no problem of the railroad. Why did they say that?

A I don't know.

Q Can you give us the gist of the refusal by the C.F.A. to give any relief?

A Well, I can quote one gentleman's words.

Q Well, let us talk about Mr. Flynn who is the head of it.

A No, it was not Mr. Flynn, but one of the railroad officials said, "Noonan, if you get Rule 10 pulled out of the statute books you might as well go across the street and pull out the pillars under the Bank of Montreal." That was the way he answered it.

Q Having got no relief from the C.F.A. you went to

the Winnipeg Chamber of Commerce, did you not, for help?

A I went to their meetings and they pointed out that there was a very strong segment of the Winnipeg businessmen who were for Rule 10.

Q And so they were not going to help to get rid of Rule 10?

A That is true, yes.

Q Can you tell the Commission just who these people are who want to hold on to this antideluvian rule?

A I think Mr. O'Donnell has tagged them already.

Q What did you say?

A I think Mr. O'Donnell has mentioned that class of business already.

Q Speaking as a Winnipeg manufacturer troubled with this rule can you tell us who the people are who want to hold on to it?

A I am not too experienced in the wholesale business. I am an electrical engineer and manufacturer, but - and this is secondhand advice, I must admit - I have been told that it is the whole sale houses of Winnipeg.

Q That bring in carloads and want to break the bulk and distribute through western Canada from Winnipeg?

A Yes.

Q Away up into Alberta, as a matter of fact.

COMMISSIONER INNIS: Q. May I ask one final question? I was wondering whether it would have been fairer to have made some reference to the cost of raw materials to the Toronto market? That is to say, it costs something to bring raw materials to Toronto.

A A lot of them are produced right in Toronto.

Canada Wire and Cable, our mag wire suppliers, are at Leaside.

Q I would be surprised if all the raw materials were produced in Toronto.

A Well, porcelain bushings come from Niagara Falls, Ontario, a great percentage of them, not all but a very great percentage.

Q I was just referring to your complete disregard.

A Well, I disregarded it because they haul it across the road from one plant to the other, or it comes in by water transport across the lakes.

THE CHAIRMAN: Any more questions? Thank you.

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Winnipeg, Manitoba

June 3, 1949

AFTERNOON SESSION

- - On resuming at 2:30 p.m.

MR. COVERT: Mr. Chairman, the next submission will be a joint presentation of eight different associations. Ithink possibly you will find your brief under the heading of Manitoba Crop Improvement Association, Mr. Shepard.

MR. SHEPARD: Mr. Chairman, this is a joint presentation of a number of associations and I think I should just read their names into the record as follows:

Alberta Crop Improvement Association,
Alberta Seed Growers Co-Operative Limited
Alberta Branch Canadian Seed Growers Association
Saskatchewan Seed Grain Co-Operative Limited
Saskatchewan Forage Crop Growers Co-Operative Marketing Association,
Saskatchewan Branch Canadian Seed Growers Association
Manitoba Crop Improvement Association
Manitoba Branch Canadian Seed Growers Association

It will be presented to the Commission by Mr. F. L. Dickinson, acting in his capacity as President of the Manitoba Crop Improvement Association. I might further say that the brief proper consists of eleven numbered pages, and then there are some attachments which, perhaps, it would suffice, simply to file as exhibits rather than to have them put into the record. They are filed with the brief now so perhaps they could just be left in that manner.

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F. L. DICKINSON, called

THE WITNESS: Mr. Chairman, I would like to make a few comments before I begin to read my brief. I had very short notice in which to try to consolidate the opinions of these eight groups of people from here to the Peace River in the short time available, soI may have one or two additional remarks to make which have come forward since. So with your permission I propose, rather than to file these exhibits, just to read one or two extracts from them if that meets with your approval.

THE CHAIRMAN: Yes.

THE WITNESS: Mr. Chairman and gentlemen:

1. It is noted that order in council P.C. 6033, dated December 29, 1948, directed your Commission to study certain problems arising out of economic, geographic and other disadvantages suffered by certain sections of Canada in connection with transportation difficulties and by certain anomalies which are to be found existing in various transportation services and you are to recommend what measures should be initiated in order that the transportation policy may best serve the economic well-being of Canada.

2. Because of the common interest of the groups and associations named on the title page of this submission theyhave decided to present to your commission a joint submission of protest against the recent increases of freight rates on seed grain and other seeds.

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3. The organization represented, submit:

(a) that the field crops grown in Western Canada are an important basis of a large share of our National Agricultural wealth and that it is imperative to maintain the quality and quantity of field crops,

(b) that the wide and easy distribution of pure seed is the foundation for maintaining this quality and quantity of these crops,

(c) that the recent increase of freight rates on seeds has seriously interefered with the program of seed distribution and this increase is a grave and serious error.

1948 Statistics supplied by Manitoba Department of Agriculture - Acreage and seed required of field crops in the three western provinces

KIND OF CROP	ACRREAGE	SEED REQUIRED
Wheat	23,045,000 acres	34,567,500 bushels
Oats	7,535,000 "	18,837,500 "
Barley	6,082,000 "	9,123,000 "
Rye	1,965,000 "	1,965,000 "
Flax	1,868,000 "	934,000 "
Miscellaneous	106,400 "	159,600 "
Grass & Legumes & Forage	2,000,000 "	Approx.350,000 " (14 million lbs)
	42,601,400 acres	65,936,600 bushels

Amount of seed required is an estimate for normal rates of seeding which are recommended for various crops by departments of agriculture.

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5. The above table shows that approximately 66 million bushels of seed are required annually to seed the field crops of the three western provinces. In a normal year farmers will produce most of this seed upon their own farms but each year many find it necessary to add to the supplies of seed which they have grown themselves for the following reasons:

(a) In order to obtain a new variety which has been recommended by dominion and provincial authorities as being most suitable for their locality.

(b) To change their seed because their own supplies have been damaged by frost, saw flies, grasshoppers, drought, sprouting, disease, or other causes.

I would like to say that I obtained this morning through the courtesy of Mr. MacIvor, a summary of seeded acreages. It is a little different fromthese figures supplied, but only with respect to wheat and then only about 600,000 acres difference; but the general figures are the same.

And might I interject as well that I was talking to Dean MacEwan, the Dean of Agriculture of the Manitoba University, last evening, who was formerly a professor at the University of Saskatchewan. I asked him what would be the normal amount of acreage which would be damaged in western Canada by drought and other causes so that the farmers in that area would have to obtain new seed, apart from exceptional things. I asked him if one million acres would be the amount, and he said that it would be very conservative.

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(c) Their seed has become impure as to variety and therefore it does not produce top yields and grades.

(d) To establish a crop rotation suitable for their districts.

(e) They are new land owners and require seed to commence farming.

(f) They are seed growers and they require new stocks of seed from another grower or a government institution.

6. The Plant Products Division estimates that the average production of seed during the past ten years from 1938 to 1948 has been 936,418 bushels of seed sealed in the sack and a total amount of 3,659,200 bushels produced.

I would like to point out that this is registered certified seed; but there is in addition to that a very large amount of what is called No. 1, No. 2 and No. 3 seed which is not inspected in the field, but which, never the less, is a very important source of supply for farmers every year.

The seed sealed in the sack would represent the normal amount which is distributed. The difference between this and the amount produced would represent seed which was used by the growers themselves or sold to neighbors. It does not include the number 1, 2 and 3 seed.

SEED GROWING AREAS

7. The three western provinces have in the settled agricultural areas a variety of soil and

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climatic conditions. This results in seed being produced more easily in certain areas. An illustration of this is the alfalfa-producing area adjacent to Nipawin, Saskatchewan, oat-producing areas in the Peace River district, Alberta, malting barley areas in the northern parts of the three western provinces, and other areas where good yields of grass seed can be produced.

8. These are only a few examples. It has been found that seed can be produced economically in these areas and that it is a normal practice for the seed to be moved from these areas to other parts of the country.

MAINTAINING QUALITY AND QUANTITY OF WESTERN CANADA's FIELD CROP PRODUCTION

9. Canada has wisely developed an excellent system for producing new varieties and testing them to determine their suitability for various districts. Government plant breeders work with various Dominion and Provincial agencies to find out where these new varieties can be grown, and if found suitable, small quantities of these new stocks of seed are multiplied and later processed by the members of the Canadian Seed Growers Association. It has been found that it takes about 16 years from the time the crosses are made by the plant breeders until the seed is ready for distribution in small lots. Later these varieties are grown for multiplication and distribution to other farmers. They are grown under exacting standard and rigid government inspection by the Production Service of

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Plant Products Division, both in the field and in the sack. In this manner the identity of the variety is preserved and the good qualities of it are made available to the farmers.

I would like to depart from the submission long enough to point out one very important thing in this paragraph, sir. It is the cost of producing this seed. It is a very heavy cost, and I often wonder why farmers bother with it, these growers that do.

I have in my hand a document, it is a public document, entitled "Regulations for the Production of Registered Seed", and I would refer to pages 8, 9, 10 and 11, which explain some of the points I want to make. Isolation tables, necessary in the case of alfalfa, require one quarter of a mile of isolation from other kinds of crops; and in the case of wheat, oats, barley, and other crops, very rigid standards are required, and the minimum standard of impurities on page 9 is very important for anybody to study, who would be interested in examining the qualifications required for this high class seed. And similarly, if we examine the Seeds Act, 1937 and the regulations which are also public documents, I would refer you to page 17 of the Grade Standards to illustrate the point that Registered Number One contains no noxious weed seeds; and by the total of weed seeds per pound, there can only be three, and so on. You see the standards are extremely high and this is used as an illustration to show how important

it is to realize the extra costs which the seed grower is put to in maintaining these standards. He has to hire help to rogue out the crops and he has tohave expensive machinery.

Because of the special care and work required, growers find that it costs more to produce seed than it does to produce ordinary crops. An example of this extra cost is given in the table below.

	Wheat	Oats	Barley
Sealing	.03	.02	.03
Sacks	.15	.12	.15
Cleaning	.10	.20	.15
Clean Out	.05	.08	.06
Handling	.10	.07	.10
	.43	.49	.49

I would like to explain that the sealing charge is 1½ cents a bushel for wheat, but the cost of .03 given here is brought about by the fact that you have to have a man there to help the inspector seal it up, seal up the sack.

ZONING VARIETIES

10. In each province a committee of Dominion and Provincial experts meets yearly to assess the merits of varieties, or to recommend the areas where they should be grown and as new varieties become available, seed growers find it necessary to change the stocks of seed to produce the new varieties. This continual changing of varieties is a very desirable and necessary thing, but unfortunately, it is also an expensive process for the seed grower. It is expensive

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and difficult to maintain purity when changing over from one variety to another. The growers not only have to take care of exacting standards of inspection in the field but they are continually requiredto exercise the special care necessary to safeguard purity of the new stocks.

In that connection I would like to refer to another document, which is a public document, "Guide to Farm Practice in Saskatchewan." This was published last year. And at page 37 Varieties recommended are shown, together with a map, and so on, which these experts recommend; the different varieties which should be grown. And in the same way the "Manitoba Agronomists Report of 1948", pages 15 and 16, which is also a public document, and it shows a similar map with the recommended varieties; and the Alberta group also have a similar one which it will not be necessary to refer to.

THE CANADA GRAIN ACT

11. Canada has recognized the importance of maintaining a high quality for its exports in grain. I would refer to schedule 1, "Statutory Grades of Western Grain'. . . . No. 1 Manitoba, Northern" requires the weight to be 60 pounds to the bushel, or any variety equal to marquis must be well matured and practically free from damaged kernels; and the total requirements of the other varieties of wheat shows that there is an extremely high standard to maintain. The top grades require an extremely high standard.

A study of the Canada Grain Act, 1930, and amendments and schedule 1 on pages 46 to 81, show that the statutory grades of western grain require that only suitable varieties can be admitted to the top grades, an illustration of this is the grades of Red Spring Wheat which require varieties to be marquis or any variety equal to marquis. The schedules for other grains also define grades of grain which exclude inferior varieties from the top grades.

12. Farmers are constantly alert to obtain good supplies of the right variety in order that they may produce satisfactory yields and to obtain the top grades under the Grain Act.

There is a reference in "Scientific Agriculture" in the March issue of 1949, page 116 and 117, and other pages where the "Varietal Composition of 1 Manitoba Northern Wheat based on 455 cargoes, ex Fort William, Ontario, for years 1931 to 1946 inclusive in per cent" is shown; and this is a remarkable document. It shows that the standards in our export grain have been very high.

We wish to draw your attention to a letter received from Mr. D. G. McKenzie, Chairman, Board of Grain Commissioners for Canada and also to the March 1949 issue of Scientific Agriculture, pages 97 to 127 where Mr. J. G. C. Fraser, Agricultural Scientist in charge of wheat investigation, cereal division, Central Experimental Farm, Ottawa, Ontario, gives a report on the Varietal composition of Canadian Export Wheat, 1926-1946. This report clearly shows the history

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of Canadian wheat varieties. It also explains what varieties are found in Canadian export wheat from the years 1926 to 1946. We submit that no more striking evidence has ever been submitted to prove the value of good seed. This report proves that through the distribution of pure seed, our export standards have been kept to an extremely high level and that undersirable varieties have also been eliminated. The value of this to the whole economy of the nation hardly needs further emphased.

We also wish to draw to your attention a letter received by the President of the Manitoba Crop Improvement Association from Mr. G. H. McIvor, Chief Commissioner, Canadian Wheat Board, in which he stresses the important part which the distributing of good seed plays in maintaining the quality of Canadian grain and the need for this effort to be continued at the present time.

SEED AS A SPECIAL COMMODITY

13. It has been shown that there is a link between the Canada Grain Act, The Seed Act, The Canadian Seed Growers Association, the Seed Growers and farmer, and mention has been made of the changes in varieties which have occurred in recent years. This can best be illustrated by a letter enclosing a list of varieties authorized for sale under the Seeds Act, 1937, received from the Production Service, Plant Products, which states that 29 varieties of Spring wheat are now licensed for sale, 9 of which have been introduced during the past 10 years, and 54 varieties of oats, ten of which

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have been licensed during the past 10 years. These introductions have meant a great deal to the farmer because they have made it possible to grow cereals resistant to rust and other diseases. Some of the varieties resist the attacks of insects, or they may have other special qualities of value.

I do not want to bore the Commission, but I have some of these varieties here which were given to me by the Board of Grain Commissioners' Chief Inspector; I have Thatcher, Apex, Rescue and Marquis; and if we mix them up, I defy anybody in this room to separate them.

MR. FRAWLEY: Where did the Apex wheat come from?

THE WITNESS: It came from Saskatchewan. It is difficult to tell Apex from Rescue which resists the saw fly; and it was only by having obtained the plants and seeds that the growers were able to multiply these valuable stocks with the merits of the varieties so that they can be passed on to the farmers. It is no use unless we can pass them on to the farmers.

14. Changes are being made, and as an illustration we have the recent notice given by the Board of Grain Commissioners that in the near future it is their intention to place the variety of Red Bobs in a lower grade than at present because it lacks certain desirable qualities.

Page 589 follows

15. In the forage and grass seeds, similar problems arise for seed growers and farmers. New varieties of grasses and clovers are being introduced. These have been found suitable to particular areas and it is important that pure seed from these crops is made available in order to assist in the development of satisfactory crop rotations which will maintain soil fertility, prevent soil erosion, provide fodder for livestock.

Might I depart from the brief long enough to say that we have produced enormous quantities of alfalfa seed, and the most of it is exported to the States under no special seed freight rates, but with great profit to the railways, I hope, as well as the farmers, and it is now found that they are having difficulty with some of these varieties and new varieties are coming in in alfalfa and also new varieties of grasses.

16. Mention should also be made of the importance of having good stocks of pure seed to supply areas where crop failure has resulted. Each year crops suffer damage from a variety of causes such as weather or insects. It is not possible to accurately estimate what the seed requirements will be in any one year. Neither is it possible to anticipate how far or in which direction seed will move, but we do know from past experience and because of the special conditions which have been outlined, and because of the great distances between the various areas in the West, that it will be necessary to move seed in almost every direction, and that it will be necessary, in order to keep it pure to have it sealed in the sack or sealed in the car.

And, incidentally, in the million acres or more where normally crop failures result every year, I would estimate there would be nearly three thousand farmers in that group alone.

18. Seed is a special commodity which is not necessarily produced in a definite area and moved to another definite area. It is a special commodity because of its importance in maintaining quality and quantity of our field crops. It is a special commodity because the cost of producing it is greater than ordinary grain, -- and, in this connection, it is different from any other commodity in the country. It is important that the farmer purchaser should be able to obtain it at the lowest possible cost in order that he can produce satisfactory crops.

MR. SHEPARD: Mr. Chairman, referring to the table which is set out on the next page of the brief, I think perhaps it would be well if Mr. Dickinson could just pick out illustrations, and that would save the necessity of reading this entire sheet. The reporter could perhaps put it in in the form that it is in the brief.

THE CHAIRMAN: You suggest what?

MR. SHEPARD: I was just suggesting, Mr.Chairman, that it might save time if Mr. Dickinson perhaps just commented on one or two of these items, rather than reading the entire sheet.

THE CHAIRMAN: Yes, pick out one or two.

SOME EXAMPLES SHOWING EXTENT OF RECENT INCREASES AS AFFECTING SEED SHIPMENTS

Example 1:

L.C.L. 100 bushels of seed wheat, 6,000 pounds.
From all shipping points like Aidrie, Alberta,
Pontrilas, Saskatchewan
Reston, Manitoba.

To a Point	Old Rate	Present Rate	Rate Inc.	Inc.Frt. Cost per Shipment	Increase per Bushel	Percent Increase
100 Miles	18	36	18	10.80	10.8¢	100%
400 Miles	40	93	53	31.80	31.8¢	132.5%
500 Miles	46	111	65	39.00	39.0¢	141.3%

Example 2

L.C.L. 100 bushels of seed flax, 5,600 pounds

100 Miles	24	47	23	12.88	12.8¢	96.0%
400 Miles	53	1.23	70	39.20	39.2¢	132.1%
500 Miles	61	1.48	87	48.72	48.7¢	142.6%

Example 3

L.C.L. 100 bushels of seed oats, 3,400 pounds

200 Miles	26	54	28	9.52	9.5¢	107.7%
420 Miles	41	98	57	19.38	19.3¢	139.0%
700 Miles	58	1.40	82	27.88	27.9¢	141.4%

Example 4

C.L. 1,500 bushels wheat, 90,000 pounds

100 Miles	8	15	7	63.00	4.2¢	87.5%
250 Miles	12	23	11	99.00	6.6¢	91.6%
450 Miles	15	30½	15½	139.50	9.3¢	103.3%
750 Miles	20	39½	19½	175.50	11.7¢	97.5%

(Table continued from previous page)

TARIFFS USED:

C.N.R. W 80 C - C.P. W 37 K	Old Seed Rates
C.N.R. W 180 D - C.P. W 1 A	Standard Mileage Class
C.N.R. W 686 E - C.P. W 629 D	Truck Competitive Scale
Distributing Scale of Rates	No Tariff

The above examples are based upon shipments from points that do not enjoy "Distributing" Scale of Rates.

THE WITNESS: This first one is 100 miles; the old rate was 18 cents per hundred; the present rate is 36; the increase is 18; increased freight cost per shipment is 10.8¢ per bushel, and the percentage increase is 100 per cent. Taking a 500 mile shipment, the old rate was 46 cents; the present rate is 111; the rate increase is 65; the increase per bushel is 39.0 cents, or 141.3 per cent. And, to take a lower percentage, the 100 miles on example 4, the top line, 8 was the old rate -- this is a carlot rate -- 7 is the rate increase, 4.2 cents a bushel increase, or 87.5 per cent.

Recommendations

The basis set in 1925 for the seed rates under review was as follows:

Group 1:- Wheat, Buckwheat, Oats, Barley, Rye, and Corn
l.c.l. at one-half the 4th Class "Standard" Mileage Class Scale.

Group 2:- Seed: Clover and Grass (Field), Sunflower, Alfalfa, Flaxseed.
l.c.l. at one-half the third class "Standard" Mileage Class Scale.

Group 3:- Wheat, Buckwheat, Oats, Barley, Rye, Corn and Flaxseed.
c.l. at one-half the grain mileage rate scale.

The Board of Transport Commissioners authorized at 21% increase in the above rates on April 8, 1948. Railway tariffs were corrected accordingly and tariff remained in effect until September 1, 1948. By reason of said tariff being an "Expiry" tariff, automatically

expiring at August 31st of each year, the railways, without notifying the public, decided not to re-issue this tariff on August 31, 1948. They had, for a period of 24 years, automatically renewed this tariff each year without referring it to the public. It was not until late in the fall of 1948 that it was ascertained that the Seed Tariffs were no longer in effect. Upon application the Railways refused to give consideration to the re-instatement of this tariff, even upon an increased basis.

The Board of Transport Commissioners did not authorize that these rates should be increased greater than 21% in their Order 70425 of March 30, 1948. The railways, however, took advantage of the "Expiry" nature of the tariffs and permitted them to lapse as at August 31st, 1948.

We quite appreciate that the railways are making a demand for increases in freight rates. However, we submit that it is unfair to single out certain traffic and increase the rates thereon anywhere from 87% to 142%, without giving due consideration to all factors involved in the historical background of the rates so increased.

We have noted that the railways saw fit to increase certain "lower than Standard rates" which had been issued to meet the motor truck competition. These particular rates were increased an additional 15% on September 15, 1948, over the 21% authorized and made effective April 8th, 1948. If similar treatment had been accorded the Seed rates, we do not believe that anyone would have objected.

As a result of the cancellation of these tariffs and the nature of the general rate structure of Western Canada, a most chaotic and discriminatory condition has been created for all who purchase seed as will be proven upon making a study of the rates shown in our various exhibits.

We have intimated that those chiefly interested in this issue would have been satisfied with the same treatment that the railways accorded low motor truck competitive rates, i.e., 21% plus 15%, which works out at 39% over the rates in effect prior to April 8, 1948. Herein below is a tabulation showing what the rates would be on Seed by using this method to establish a Seed Rate Structure that the traffic could bear, and also offer the railways a greater increase in rates than the 21%.

Do you wish an example of this, sir?

Miles	Group 1 Commodities			Group 2 Commodities			Group 3 Commodities		
	1	2	3	1	2	3	1	2	3
50	12	17	25	15	21	33	6	8	11
100	18	25	36	24	33	47	8	11	15
200	26	36	54	35	48	71	10	14	20
300	33	46	68	44	61	87	12	17	24½
400	40	55	93	53	74	123	15	21	29
500	46	64	111	61	85	148	16	22	32
600	52	72	126	69	95	167	18	25	36
700	58	81	140	77	107	185	19	26	38½
800	63	87	152	84	117	202	21	29	41
900	68	94	163	91	127	220	21	29	42
1,000	73	100	177	97	135	235	22	31	44½

Column 1 - Rates in effect prior to April 8, 1948

Column 2 - Column 1 Rates Plus 21% plus 15%

Column 3 - Rates now in effect from all points that do not enjoy "Distributing Rates".

THE WITNESS: 50 miles, on group 1 commodities, 12. Column 1 is the rates in effect prior to April 8, column 2 the rates plus 21% plus 15,and 3 is the rates now in effect. In other words, the old rate is on the left, then the centre is what we recommend, and the right is what we have. Under group 2 is simply the alfalfa group and seeds, and group 3 is the carlots.

MR. SHEPARD: I would suggest, Mr. Chairman, that is all that is necessary, as long as the complete item gets in the record.

THE CHAIRMAN: Yes, very good.

THE WITNESS: If the present freight rates

for moving seed are permitted to remain, there is no doubt that this will result in a great deal less pure seed being used as the excessive rates will prevent thousands of farmers from purchasing seed because of this extra cost. This in turn will mean a lower standard of field crop production. For 24 years the railways have realized this fact.

I should like to make it clear, in addition to the brief, that the old rates are not depressed rates; they have been accepted for twenty-four years as the normal. For twenty-four years the railways have realized this fact.

Their action in raising the rates to the astonishing figures now in effect is difficult to understand. This action spells disaster for the seed industry of the West.

I would like to add another note to this before going to the tables. I have not had time to submit this, sir, to all the people concerned, but it is the opinion here of some of our group in Manitoba that consideration should be given to amending the Railway Act to ensure that expiry rates are reviewed by the Board of Transport Commissioners before the Board permits them to expire. This procedure would be lieu of the present system, which we understand would leave the matter of expiry of rates entirely at the discretion of the carriers. I have not had a chance to submit that to all these groups; I just mention that suggestion as coming from some of them.

I would like your permission to file the remaining tables as an exhibit.

Also, sir, I do not profess to understand all these freight-rate terms, and have with me Mr. Stimpson, who has kindly assisted me in the preparation of this, and I would like that he be permitted to ---

THE CHAIRMAN: Q. Who is this gentleman?

A. Mr. Stimpson, the traffic manager.

MR. SHEPARD: Mr. Chairman, might I ask just one or two questions?

THE CHAIRMAN: Yes, certainly.

EXAMINED BY MR. SHEPARD

Q. I take it that you have prepared this submission on behalf of this group of associations to furnish the Commission a background of the importance of the seed-growing industry in Western Canada, and to complain specifically of the expiry of an expiry rate on seed grain, and to make a recommendation; I understand from what you have just said that it has not been concurred in by all of your association, but ---

A. This last part, that is the only part that has not been concurred in; the rest has, I have the written approval of everyone, with the exception of this point about expiry rates being submitted to the Board of Transport Commissioners. I have not had time to submit that, but the rest has all been approved.

Q. As I understand your point, Mr. Dickinson, it is this, that you had this expiry rate in effect for 24 years, and it became in the minds of seed growers

the accepted rate on seed grain?

A. Yes; and in the mind of the farmers, which /is more important than the seed growers. The farmer is the man that pays it.

Q. And then, because it was an expiry rate, the railways permitted it to expire, which automatically put seed grain into a class rate rather than at the special rate?

A. That is correct. I would like to point out, sir, in that connection that some of these agencies represented in this submission have had an unfortunate experience, that when the farmer found the way the rates had been raised they refused to accept the shipment. I know of a case at Riding Mountain and also at Newdale, Manitoba; they were so staggered with this increase that they refused to accept the shipments.

THE CHAIRMAN: Q. What happened in that case?

A. The shippers had to re-route it to other purchasers, and a large number of complaints have been received. I have a letter here from the Alberta group, which pays the freight of the seed in advance, and their experience this year is that the additional cost is quite heavy, by reason of the fact that a lot of seed comes from Peace River, which is five hundred miles apart from Edmonton. The increase is very serious to the purchaser -- 10 and 15 and 25 cents per bushel in some cases.

CROSS-EXAMINED BY MR. FRAWLEY

Q Mr. Dickinson, you said that this last suggestion of yours, which would place some control over expiry rates

in the hands of the Board, has not been communicated to all of the people ---

A. No, I have not had time to.

Q. Now, do you propose to do that?

A. Yes, I would like to do that and get their reaction to it before recommending it on their behalf as a whole.

Q. And if you find that they concur in that recommendation I suggest that you then would communicate that to this Commission?

A. Yes.

THE CHAIRMAN: The expression "expiry rate' has been used; does that mean some concession made by the railways voluntarily to carry at less than the authorized rate?

MR. EVANS: Yes, sir. There is the practice in many cases to publish a tariff, sometimes seasonally, sometimes for the period during which the railway may have to meet competition, and then put a date of expiration in the tariff, which is notice that unless it is renewed it will expire.

THE CHAIRMAN: I mean, is the tariff, though, which is thus put into effect less than the authorized tariff, less than it might have been?

MR. EVANS: Usually, sir, yes, because the authorized tariff, if I might borrow your expression -- I assume you mean the standard tariff which is the approved maximum tariff.

THE CHAIRMAN: Yes.

MR. EVANS: And the distributing class rates and the commodity mileage scales and a number of other rates have no expiry dates on them at all; they are special rates.

THE CHAIRMAN: These special rates are always less than the standard rate.

MR. EVANS: Oh, yes, sir.

THE CHAIRMAN: And that is why they are called expiry. You can withdraw them any time you like; is that it?

MR. EVANS: Yes, sir. Of course, theoretically---

THE CHAIRMAN: They expire, I see by what I am shown here, automatically on the 31st of August each year unless renewed?

MR. EVANS: Yes, sir.

THE CHAIRMAN: And they must be renewed from year to year.

MR. EVANS: Yes. That is in this case. We often have other expiry dates for other tariffs. For instance, during the period of water competition we have tariffs that are not in effect during the winter months; they begin to take effect when navigation opens in the spring.

THE CHAIRMAN: Q. Now, what is your contention about these expiry rates?

A. I would point out, sir, that we had a recommendation from a group in Manitoba that perhaps they should be under review by the Board of Transport Commissioners before they are permitted to expire.

I have not had a chance to submit that idea to the rest of the groups in Alberta and Saskatchewan, but I propose to do so, and later on I would like to get permission to get their opinion before you at some subsequent session.

MR. FRAWLEY: Q. Do you attach any significance to the fact that this rate was continued year after year after year for twenty-four years?

A. We accepted that as being proof that the railways thought it was a good thing and everybody thought it was a good thing. Might I make another point in that connection? It seems to me that this seed business is something like good health; everybody has to do something about it. The Government has spent a lot of money, all governments, in plant breeding, in developing proper varieties, in testing them, in putting competent people on to supervise the inspection of the produced seed, the governments of the provinces have agronomists' departments to explain all this to the public, every grain company distributes seed through crop improvement associations at no cost and no profit to themselves, as a service, and the railways did their part by assisting and did a wonderful job, and nothing should be said by anyone to take anything away from that; we should give credit to the railways, in my opinion, for the wonderful job they have done for all these years -- a great service. It is part of everybody's contribution for the betterment and improvement of our field crops, in my opinion. It is like good health; it is all right if everybody does something about it, but if somebody falls down it can soon deteriorate rapidly.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Dickinson, as you said, the railways made a concession on the rates which they were entitled to have under the rulings of the Board of Transport Commissioners and, as you set out at page 9, the rates in group 1, for instance, were reduced by half?

A. That is correct.

Q. And the rates in group 2 likewise reduced by half under the standard mileage class scale, and likewise in group 3 they were also reduced by half, and the railways made those concessions notwithstanding that the just and reasonable rate which the Board had fixed was twice the amount they were asking for the transport of that seed during the years that the development of that industry was in its infancy at least, in order to assist with the---

A. This industry is never in its infancy. What we are talking about is all the production of field crops and all grass and everything else in Western Canada. I am not interested in just the seed grower angle; I am interested, and we all are, in the grower and the average farmer.

Q. Yes, but the growing of this type of seed started and has gradually grown over the years since 1914 or 1915?

A. Oh, no. You are going back into a long story there.

Q. Well, don't let us get back too far, then. Since 1925 has not that industry grown somewhat, the development of these seeds? Your Association is not of so many years' length, is it?

A. Well, I have been in the Manitoba Crop Improvement

Association since 1921, I think.

Q. 1921; well, that is far enough back for me. Since 1921 it has grown, hasn't it?

A. Oh, yes, like the West.

Q. That is all I am getting at. And during the years that it has grown the railways, as you were kind enough to say, assisted in the development of this branch of endeavour by cutting the rates they were entitled to have in the cases that you give, for instance, by half?

A. Well, I would like ---

Q. Isn't that the situation?

A. Yes, but I would like to point out to you, sir, that the seed industry is not like a manufacturing plant, where you bring stuff in, raw products, and then you manufacture something and ship it out. Here you are dealing with living things, plants, and here you are dealing with a country, a tremendous country, requiring different kinds of plants, and here you are dealing with a special commodity which is of a very peculiar nature. It requires a lot of people to work with all these plants and put them into sacks and inspect them. It is not like boots and shoes or railroad cars that have numbers on them and can easily be identified. You are dealing with something entirely different.

Q. Well, presumably the Board of Transport Commissioners knew that when they fixed the rate at the standard that is set out at page 9 of your brief; they knew all that, and they fixed a rate, and then we can agree that the railways voluntarily and as a concession cut the rate

in half, and it was allowed to remain at that 50 per cent figure for a considerable length of time; that is correct, is it not?

A. That is correct, yes.

Q. And that was done, as you said, on a year-to-year basis, with notice on the face of each tariff that the rate would expire on August 31st in any given year unless sooner cancelled, changed or extended, so that it was on that yearly basis?

A. Could I point out right there that the average farmer does not ---

Q. That is the fact, isn't it?

A. Yes, that is the fact, but it is important to have on record that the average farmer does not know when these rates expire.

Q. Well, your Association knows?

A. And also ---

Q. Your Association ---

MR. FRAWLEY: The witness wanted to answer something.

THE WITNESS: I just want to say that it is a very important point, because there are thousands of new farmers who have started since I started farming, and they don't know anything about these rates and the expiry dates of them, and they have to pay the shot.

MR. O'DONNELL: Q. Now I will come back to what I had in mind, and that was that when the rate expired in accordance with the notice that is on every tariff, and that was filed with the Board on August 31, 1948, there

had been a change in circumstances, had there not, in the interval between the last expiry date and that 31st of August, 1948? What I have in mind is that in the summer of 1948 the railways, in an endeavour to procure additional revenues to meet their rising costs of operation, had had to file an application for a further 20 per cent increase in rates; you remember that, I am sure?

A. Yes; I think everybody does.

Q. Do you also know that at that time and during the course, for instance, of the earlier case the year before, the 21 per cent increase, counsel representing the various provinces, including Manitoba, Saskatchewan and Alberta, had suggested that before any additional increase on a general basis should be given the railways should remove or raise all rates that were sub-standard and that were under the just and reasonable rates as fixed by the Board of Transport Commissioners? Are you aware of that?

A. I don't know whether that would be a fair way to put it.

Q. Well, you put it any way you please.

A. I am not going to speak for the provinces, or attempt to. I do not think they would have said raise the rates 142 per cent, or do it the way the railways did it, practically without notice.

Q. Are you aware that it was suggested that all rates that were below the ceiling should be raised, in order that all available revenues should be obtained thereby before any further general increase was asked for?

A. I think they were thinking of several hundreds of items.

Q. You think they forgot that; they did not intend to use ---

A. I don't think they intended to argue in favour of these increases that we have in seed. I don't think they would have agreed with the way it was done, either.

Q. In any event, through the years, your Association and all the people who were growing this kind of seed had a 50 per cent concession under the standard class rates, which were the just and reasonable rates as determined by the Board of Transport Commissioners?

A. The farmer had it, the purchaser.

Q. And then, in an endeavour to find the revenue which had to be raised to meet the rising costs of operation, and in order, in my submission, to comply with the suggestions made by counsel for the various provinces, which did not want any further general increase, these rates, along with other rates that were below the ceiling, were raised. Now, you do not apparently approve of what was done in that connection; is that the situation?

A. I have some interesting advertisements by the C. N. Railways here, in which there is a statement of one of the objects of the Department of Agriculture of the C. N. Railways, They undertake to give active support and co-operation to federal and provincial departments for the improvement and development of agriculture; and another one here in one of your own bulletins. Now, I would not think that was giving very good support to this sort of thing.

Q. Let me just shorten it up by saying that you apparently do not agree with the suggestion which I submit was made by a provincial counsel, that any rates which were below the ceiling should be raised?

A. I would not put it that way.

Q. Well, do you agree ---

A. I read carefully what they said, and I think the railways just took that excuse to boost these things up in that inordinate manner.

Q. Would you not think that if a complaint had been made that they were allowing rates to exist which were below the standard rates, those should be raised?

A. Oh, yes, but ---

Q. That that was something they should have done?

A. I think probably there is moderation in everything.

THE CHAIRMAN: When was this suggestion made by the provinces?

MR. O'DONNELL: My lord, during the course of the 21 per cent case, and even during the course of the 20 per cent case.

THE CHAIRMAN: I suppose the suggestion was made that this action be taken on condition that no increase be granted?

MR. O'DONNELL: Oh, yes. My friends are here, and they can speak for themselves. As I understand their submissions when the railways in July, 1948, having in April, 1948, obtained a 21 per cent increase, as they had asked for a 30 per cent increase, were forced in their judgment to apply for a further increase of 20 per cent

to meet the still rising costs, the suggestion was made, and even the complaint was made, I put it, by the provinces that before the railways should ask for any blanket increase of 20 per cent they should prove to the Board that they had exhausted all possibility under the then existing rate ceiling, and that where, for instance, rates were below the just and reasonable rates they should be raised, where there was competition or an alleged rate that was based on competition, when competition no longer existed they should be raised, and so on -- a variety of these things -- and the railways, in an earnest endeavour to get all the revenue that the then existing rate and the then existing tariffs would give them, raised such rates, including these which were for many years 50 per cent lower than the just and reasonable rates as fixed by the Board.

THE CHAIRMAN: Then, in view of that increase, did the railways reduce their request for an increase?

MR. O'DONNELL: Even at that, my lord, the railways' submission -- and I agree that my friends do not accept it -- was that even when they did that they still needed further moneys.

THE WITNESS: Might I suggest, sir, another angle to this thing? I would like to read you extracts from some letters. I received a letter from Dr. Farstad, who is the entomologist at the Experimental Farm at Lethbridge -- I am not going to blame losses due to sawfly on the railway -- and he estimates that the losses due

to sawfly annually between 1938 and 1948 were 20,000,000 bushels of wheat. He says that new varieties such as Rescue are reducing this loss very considerably. So if we cut this loss by half and say 10,000,000 bushels, take the freight rate from Swift Current to Port Arthur, where it is 13.20 cents per bushel, then the railway would have gained additional freight revenue amounting to $1,300,000 if this loss did not result.

Similarly, Dr. Craigie, formerly Officer in Charge of Dominion Laboratory of Plant Pathology at Winnipeg, has stated that the estimated average annual loss in Manitoba from rust from 1916 to 1937 was 12,000,000-odd bushels.

Dr. Newman, formerly Dominion Cerealist in the Canadian Geographical Journal, April, 1949, states that in 1935 it was estimated that 85,000,000 bushels less wheat was harvested than would have been harvested had there been no rust. This loss in bushels, he says, added to the loss in grades of the wheat harvested brought the total loss for the year to an astounding figure. He estimated that the value of the rust-resistant varieties as compared with non-resistant varieties was to increase the yield to 20 bushels to the acre at Winnipeg, and to double the value per bushel harvested because of better grades.

Now, I submit, sir, that that is a very important thing for the railways, and it is not a question of freight revenue alone on this little bit of seed we are going to move; it is a question of giving them more bushels through better seed, and helping everybody, and

I think that that is a very important part of this whole submission that we are trying to make.

MR. SHEPARD: Mr. Chairman, before Mr. Evans asks the questions he has of Mr. Dickinson, perhaps I might just give a reference to the Commission along the lines of the matter Mr. O'Donnell was mentioning as to the province's attitude on sub-standard rates in both the 21 per cent case and the 20 per cent case. In volume 2 of the transcript of the proceedings of this Commission -- that is the first day's hearing here -- at page 77A there is a paragraph in the brief of the Honourable Mr. Campbell which deals with the matter. I do not know that it is necessary for me to read it, but I thought I would give you the citation. The paragraph starts:

> "Let me point out at once that we are not advocating that all rates which are alleged to be low, should be raised."

Then it goes on from there.

MR. O'DONNELL: That is at the present time.

MR. SHEPARD: That is consistent with the position we have taken in both the rate cases.

CROSS-EXAMINED BY MR. EVANS

Q. Mr. Dickinson, I shall try not to ask you too many questions. I am having a little difficulty, because I am not technically qualified in understanding this business of producing seed. The 65 or 66 million bushels of seed that is shown as required on page 2, is seed, whether registered, certified or not?

A. Yes, which the average farmer will use.

Q. And the figure of 3,659,200 bushels is the certified seed produced in western provinces?

A. Yes.

Q. Just the western provinces?

A. Yes.

Q. And of that the 936,418 bushels is put in these sealed sacks?

A. That is right.

Q. And that is the seed about which we are talking?

A. Yes. I used that because that is an accurate record from Government statistics.

Q. I am not questioning it.

A. I just want to point out also that it is a normal thing for farmers to send to the Plant Products Division samples, one-pound samples, to be graded and germinated, tested, and if they get what they call a control sample certified, then under the Seeds Act these farmers are permitted to sell it for seed as No. 1 seed, No. 2 seed or No. 3 seed, and a very large business is done in that way, apart from these figures.

Q. I see. Well, how much business would be done in that way?

A. It is a very hard thing to estimate because -- I would like to explain why -- the farmer gets this control certificate, he puts an ad in the paper, and, providing he complies with the Seeds Act and says on the tag the name of the variety, the kind of grade it is and other necessary particulars to comply with the Act, he can ship it and advertise it for sale. No record that I know of is kept of that.

Q. That other variety of seed -- I don't know how you describe it?

A. Grade?

Q. Graded seed, is that what you call it?

A. It is graded seed under the Act; it is under a control certificate.

Q. But not certified?

A. Not certified. It is certified as inspected in the field and inspected in the sack and sealed in the sack by the Government.

Q. Now, that is the 900,000, and there is additional seed;over and above that you say there is a very large business?

A. Yes.

Q. And I was just going to ask you whether that additional seed also qualified for this special rate?

A. Yes, it does,providing it has this control certificate and complies with the law.

Q. Would you think that that would be equal to the 900,000 bushels?

A. Oh, far more.

Q. Far more?

A. Far more.

Q. Thank you.. Now, I suppose this 900,000 bushels of certified seed ---

A. And registered.

Q. -- registered seed, is the only seed that would ever be exported, is it?

A. No. Well, of late years a very crazy situation has developed. The Wheat Board had a contract with

Great Britain, or the Government had a contract with Great Britain, known as the British wheat agreement. They sold to this government, and they did not sell to certain other countries. Other countries found it difficult to get our wheat, and certain exporters have been selling registered and certified wheat to the Arabs and Jews in Palestine who have been fighting, and to other governments, for crazy prices, and that has really upset the market somewhat in the last ---

Q. I really was not interested in that at this stage; I merely wanted to know whether it is only the registered seed that is exported?

A. Yes, I think some of that has been exported, because it was not under the control of the Wheat Board, and they could get hold of it.

Q. I just wanted the fact, Mr. Dickinson; I just wanted to know what proportion of that would be exported?

A. In a normal year, none. We send a little down to the States but normally it is very little business, in wheat, but we have exported some barley -- that is a normal thing -- and we do export a lot of good alfalfa and clover seeds and grass seeds at very good prices, which of course take the ordinary freight rates.

Q. That is, all export seed grain takes the regular export freight rate?

A. Yes.

Q. And only a very small proportion is normally exported?

A. Yes, of cereals, but we have quite a large business and an important business in gradses and clovers and alfalfas.

Q. For export?

A. Yes, for the U.S.A. especially, and for a good price, which is a good thing for us.

Q. Well, I would like to see a good price.

A. We are getting 38 to 48 cents for alfalfa this year, which is an excellent thing.

Q. Could you give me any idea how much of that 936,000 bushels of registered seed is exported, any rough idea? -- all kinds; I don't care what kind.

A. I would be very pleased to send it to you. It came on my desk yesterday.

Q. All I wanted was a rough idea.

A. It was a very small proportion.

Q. Well, I accept that. Now, you show on page 4 some increased costs of handling this seed; does that represent the increase in cost of producing seed over ordinary grain?

A. Yes. It is a very poor explanation, really, you know, because we have men here in Manitoba who spend $20,000, and some $5,000, to build a plant to clean this stuff up, and they not only clean for themselves but for their neighbours. I have one in mind at Notre Dame de Lourdes; it is a private plant but it cleans for the whole community. These costs are simply dealing with cleaning and handling in the plant, and in addition to that you have very heavy expenses in picking out heads in the fields. I hope you do not think I am trying to be a smart aleck and giving you a lecture on agronomy.

Q. No; I am very pleased to have the information.

A. But here is the norm -- the description of

Redman wheat, and the important off type found in the stock, which was given to me by Dr. Peterson last year, because I helped him to produce some of the late foundation seed. Now, what do we see? -- that in spite of the cleverness of mankind the old Mendel law still persists, and you get these off types, and you get them for fifteen, sixteen and twenty years, and so the seed grower has to go in and pick out these off types; and it is a continual process, you are never finished with it. As I said, it is like good health, it is something that has to be done all the time.

Q. Well, I am really at the moment, talking about how much extra it costs, and I interpreted that table as indicating that the extra cost of producing and handling this seed was as shown?

A. No; in addition to that you have the field cost, and it is a very, very difficult thing to estimate what that is.

Q. You could not tell me?

A. I know as a late stock grower of Banner oats that it varies from year to year; it varies on your yield; one year you get five bushels to the acre and next year you get fifty.

Q. Well, I suppose that is true of any grain, isn't it?

A. Yes, it is. Might I make one other point? Do not be misled by these big prices that you see quoted like $3.50 a bushel for registered wheat. That is only for a small quantity of first generation, and where do they get first generation from? They get

30 pounds given to them by a committee, and only those who are competent get it. They multiply that 30 pounds under careful row examination and hand threshing, and what have they got next year? Not very much. These large costs you see advertised are just for small quantities of the special stuff.

Q. Now, you could not give me any idea of how much extra that costs?

A. It varies according to the yield, and according to the grain and the amount of work you have to do.

Q. What proportion of this seed moves in carloads? Have you any idea of that?

A. It varies according to the seasons. Some years we have a condition in the northern part of Manitoba and Saskatchewan as far as Humboldt south along the foothills of Alberta in which we get frost, and it comes down in fingers, and the oats are frozen and the barley is frozen, so very frequently there are large movements of oats from the Peace River country and other areas moving 500, 600 or 800 miles to replace these losses. For this year, I have here the grasshopper maps for the three prairie provinces.

Q. Well, I am only interested in knowing roughly what proportion moves in carloads?

A. Every year it changes. The answer is, every year ---

Q. You are an expert, and I am only a poor railway man who doesn't know about it; couldn't you tell me?

A. I would say half of it.

Q. Half of it moves in carloads?

A. Unless you get in a crop failure year, and you know all about that.

Q. Yes?

A. 27,000,000 bushels we moved in 1937, I think it was, seed and feed.

Q. But I am talking about this registered seed and this so-called certified seed that gets the special rate?

A. Could I answer that this way? At Moose Jaw it moves into the plant by carlots and then moves out by less than carlots -- moves into the plant for cleaning.

Q. That is to say, you get it from the producer of seed; it generally moves into the plant where you do some processing in carloads, and moves out in less than carload lots.

A. Yes.

Q. Now, the process is what? What do they do to the seed in the plant? Just put it in sacks?

A. No; they have to clean it, and it is inspected. It is all done very carefully -- government inspection. It is cleaned, and the government inspector examines it, and it is put into sacks and sewn up under his supervision and sealed.

Q. And where are these plants usually situated?

A. They have several here. In Manitoba we have some at Brandon, and several growers, eight growers, have private plants. In Saskatchewan they are in Nipewan, Saskatoon, Regina, Moose Jaw, and several private growers. There are plants in the Peace River district, Edmonton and Red Deer -- various areas like that.

Q. Would you say generally speaking that most of the outbound l.c.l. movement moves from distributing points, in the sense ---

A. Well, there is a peculiar thing there, sir. We have now a large number of growers at non-distributing points.

Q. You told me that the grower ships to the plant usually in carloads?

A. Well, I am speaking of Moose Jaw; but in Manitoba we have these small plants which are in the unfortunate position of being at non-distributing points, and that is quite a handicap to them; they have this larger rate.

Q. You think it is a handicap to them because they do not have the benefit of the distributing rates?

A. Yes. It is of course lower, the distributing rate is.

Q. Did you not know that the distributing rates apply whether it is between distributing points or not, to all less than carload ---

A. If it is not designated as a distributing point you do not get the rate out.

Q. I am going to suggest to you that perhaps you are mistaken about that. Did you not know that the distributing class rates apply to the first four classes of all commodities shipped less than carload between all points?

A. Yes, less than carload.

Q. Up to 400 miles, up to about 380 miles?

A. That is correct.

Q. I was just about to suggest to you that perhaps that table on page 8 had not really been quite fair to us when you rather suggested that there were points that do not enjoy these distributing rates; you did not give us quite all that credit?

A. No; these are non-distributing points.

Q. Well, you know they are non-distributing points; you gave effect to that fact I have just put to you, that the tariff publishes the distributing rates between all points up to 400 miles?

(Page 622 follows)

A I could not give an answer to that. I would have to ask you to refer to Mr. Stimpson, with the Chairman's permission.

MR. STIMPSON: I understand, Mr. Evans, that you asked Mr. Dickinson whether distributing rates apply between all points within a radius of 400 miles?

MR. EVANS: I asked him whether he did not know that there was a tariff publishing as commodity rates distributing class rates.

MR. STIMPSON: Up to 400 miles?

MR. EVANS: Up to 380 miles?

MR. STIMPSON: 370, yes.

MR. EVANS: On the first four classes?

MR. STIMPSON: That is right.

MR. EVANS: And that would not apply to the l.c.l. movement of seed grain?

MR. STIMPSON: That is already provided for in Mr. Dickinson's submission.

MR. EVANS: Well, I see a note on the bottom of page 8.

MR. STIMPSON: In the exhibit you refer to on page 8, you will note the heading. It is an example on 100 bushels of seed wheat, or 6,000 pounds, from all shipping points like Aidrie, Alberta, Pontrilas, Saskatchewan, or Reston, Manitoba, which do not enjoy distributing rates. If you work out the examples shown for 100 miles you will find that the rate that has been used is the rate that you refer to in that tariff, but when you go to 400 miles it is on a compromised rate between the distributing rate and the standard rate, and for 500 miles it is on the standard

rate.

MR. EVANS: All I was pointing out was the inference that I drew from the footnote on page 8 which reads this way:

"The above examples are based upon shipments from points that do not enjoy 'distributing' scale of rates."

MR. STIMPSON: That may have been a little misleading. As Mr. Dickinson explained to you, we are pretty busy, and this submission was compiled rather hurriedly. As Mr. Dickinson explained he had to have the submission in the hands of the Commission before April 22.

MR. EVANS: I wanted to clear it up.

THE WITNESS: What should we correct there?

MR. EVANS: I was saying these points do have, if I am right --

MR. STIMPSON: They are on the right basis, but it is just as to the postcript. Distributing scale of rates may be interpreted incorrectly.

MR. EVANS: I think you will find one or two more references to the same thing in your brief.

MR. STIMPSON: It may be that in the correction of these we forgot to remove that note.

MR. EVANS: While I have you here, as an expert on freight rates --

MR. STIMPSON: I would not care to admit that.

MR. EVANS: Are you aware that in this tariff to which I have referred, which publishes as commodity rates distributing class rates up to 380 miles, that there is provided in that a pick-up and delivery service that was not

available to you before under the special rates?

MR. STIMPSON: It could be, yes.

MR. EVANS: You are not aware of it?

MR. STIMPSON: Within certain districts.

MR. EVANS: Well, this would be your regular pick-up and delivery points?

MR. STIMPSON: That is a provision of the P. & D. tariff.

MR. EVANS: Quite.

MR. STIMPSON: Within your specified areas, but if I was shipping seed grain from Rosser, Manitoba, or Reston, to Aidrie, Alberta, you would not get P & D on that.

MR. EVANS: I am not suggesting you would get pick-up and delivery service at any point where it is not provided, but what I am suggesting is that one of the advantages that came about with the removal of the special rate was to put you into a tariff for less than carload shipments which provided a pick-up and delivery service where none had been provided before.

MR. STIMPSON: Your distributing tariffs, whether it is that tariff or not, give you that service within the areas you get P & D service. It does not make any difference whether it is that tariff. On the C. N. or C. P. distributing tariffs out of Dauphin, Portage, Winnipeg or Calgary you get free pick-up and delivery.

MR. EVANS: My point is this tariff applies between all points, whether they are distributing points or not, and I should think that you would agree that there is an extensive advantage in having this tariff on your seed

grain when it is not restricted to outbound from the distributing points?

MR. STIMPSON: Is there any reason why you should retard the seed grain industry, and grant that privilege in the development of other industries?

MR. EVANS: I am not arguing.

MR. STIMPSON: That is the point in rate construction that I question in respect to your question to me. You are bringing up the point that you think you are giving these people an advantage by giving them that rate. You are not giving them that rate voluntarily. You are forced to give them that rate under truck competition. If you did not have truck competition that tariff would not be in effect.

MR. EVANS: Perhaps some of these other people would like to come forward and be cross-examined, too.

MR. STIMPSON: I did not want to come uphhere.

MR. EVANS: You and I are not going to quarrel.

MR. STIMPSON: I am not quarreling.

MR. EVANS: I would not quarrel with you and I am sure you would not quarrel with me.

MR. STIMPSON: I did not want to come up here but you were asking Mr. Dickinson a question in respect to freight rates, and Mr. Dickinson admits he is not an authority on freight rates and I am not an authority on seed.

MR. EVANS: I am not an authority either; I am just looking for information. All I am suggesting to you is that nothing is said here with reference to the value of the pick-up and delivery service, which is something you did not have before. I am just suggesting to you that is

something that perhaps you might have given us credit for in this brief?

MR. STIMPSON: I think Mr. Dickinson gave you plenty of credit in making his submission for your contribution to the development of the seed industry up until August 31, 1948. I think he took care of that in the aggregate in his statement.

MR. EVANS: I have in mind that on page 8 the old rate is shown, the present rate is shown and the increase in dollars per shipment and in cents per bushel is shown, but no credit is given for the pick-up and delivery service which must have some value. I would have thought that perhaps you would have seen fit to give that some weight.

MR. STIMPSON: It would be a rather difficult thing to do.

MR. EVANS: Then may I suggest to you - and I do not care whether Mr. Stimpson or Mr. Dickinson answers this question --

MR. STIMPSON: If it is on seed he will answer it.

MR. EVANS: Have you got page 8 before you, Mr. Dickinson?

THE WITNESS: Right here.

MR. EVANS: Will you look at that column headed "Old Rate". That series of columns rather suggests - and perhaps you did not intend to infer it - that you indicated that the total amount of these increases - let us take the second item. The old rate is 40 and the present rate 93, an increase of 53 cents, or an increase of 132.5 per cent. Is it intended to infer that that is all one increase?

MR. STIMPSON: What do you mean by that? If the old

rate was 40 cents nd the present rate is 93 cents the increase is 53 cents a hundred, is it not?

MR. EVANS: Yes. Let me ask you this. Perhaps we are at cross purposes. The old rate as at the time of the expiry of the special rate was not 40 cents?

MR. STIMPSON: No, the old rate is the rate that was in effect prior to April 8, 1948.

MR. EVANS: So what you might have done to cut down the disparity in the rates there would have been under the column "Old rate" to have put the old rate s it was prior to the expiration of these special rates. Would that not have been a fair way to put it?

MR. STIMPSON: In the compilation of exhibits when you are pressed for time, there are many things we could have put in if we had thought of them, but this was prepared rather hurriedly.

MR. EVANS: As long as you agree with me.

MR. STIMPSON: The point we were trying to convey to the Commission was that as a result of the action on the part of the railway in permitting the tariff in question to expire on August 31, 1948 the user of seed grain, and the man that has to pay, the farmer , has to pay the difference between 40 cents and 93 cents on movements involving 400 miles from non-distributing points to points of consumption

MR. EVANS: If you had done it the way I think you might have done it after further consideration you would have found that in that second line for 400 miles instead of the old rate being 40 cents it would have been 48 cents as at the time of the old tariff going out?

MR. STIMPSON: Yes.

MR. EVANS: And the present rate 93 cents. If my arithmetic is correct the difference would be 35 cents, not 53 cents. I am sorry, 45 cents, not 53 cents.

MR. STIMPSON: I see your point.

MR. EVANS: And the increase would have been less than 100 per cent?

MR. STIMPSON: The increase would still be bad enough. That is quite a lot.

MR. EVANS: You have it as 132 per cent. I was thinking that perhaps it was not quite as bad as it was painted.

MR. STIMPSON: In their recommendations in this submission they agreed that the railways -- that to the 21 per cent which was added on April 8 under the Board order you might have added 15 per cent to these rates. Realizing that the railways are pressing various authorities for increased rates, the industry could have stood an increase of 39 per cent and had it apply to the original tariff instead of confusing the issue by now having three different sets of rates.

MR. EVANS: I think I am nearly through. I want to ask something about price. What is the comparison in price between Thatcher seed grain and Thatcher wheatwith ordinary commercial wheat.

THE WITNESS: What grade?

MR. EVANS: Q. Any grade you like, 1 or 2. It is the price to the farmer I want.

A Yes, it varies.

Q Give me the 1948 price and the 1949 price.

A I am talking about grades varying. If you have certified Carleton Durum wheat it is $2.60. If you have first generation Regent or Thatcher it would be $3.75.

Q No.1 Thatcher; is that a grade?

A It is very confusing. Let me explain it this way. Under the Seed Act there are six grades of seed, registered No. 1, registered No. 2, registered No. 3.

Q Let us take Thatcher registered No, 1.

A $3.75.

Q Is that the present price?

A That is the price in Manitoba. In Alberta it is different because they add the freight, and in Saskatchewan it is a little different.

Q What would have been the price last year on that?

A It would have been more because you had this crazy export business that upset the market.

Q Would it have been double that?

A Yes. It was a very bad situation for certain varieties of wheat last year.

Q Depending on whether you had to buy or sell it?

A It did not do anybody any good. Just a few growers got a big price. It upset the whole industry.

Q What would be the price of the same grade of wheat for commercial purposes and not for seed purposes?

A I think the growers are getting $1.80 according to the Wheat Board payments.

Q So it looks as though seed grain of an equivalent variety is about twice the commercial price?

A. For that particular lot of a few hundred bushels, but get down to where there is some stuff to sell and you

have got $2.30 as the buying price.

Q What would $2.30 be the price of?

A That is the price of certified No. 1 Regent, Thatcher, Renown, in Manitoba today.

Q Why is it down to $2.30? Is that a different grade?

A That is a different grade. That is certified. It has a lower standard of purity and not such a high standard of amount. This first generation registered is really something. If you ever tried to grow it you would know what I mean.

Q Let me take one of the other seed grains. Let us take Alfalfa, Grim No. 1. What is that worth this year?

A I have not got those prices here, I am sorry to say, but I can get them for you.

Q Give me any kind of alfalfa that you may have.

A I did not bring those with me, I am sorry to say, but I will be pleased to get them.

Q Would they be as much as $50 a hundred?

A Yes, registered Grim would easily be that. Grim alfalfa sealed in the sack was bringing 53 cents a pound in Minneapolis yesterday.

Q How about seed clover?

A I think the price is around 8 or 9 cents. It is fluctuating right now because the market is tapering off right now.

Q There has been an increase this year in the price of clover seeds?

A No, I think it is a little down from last year.

Q My information is that the seed catalogs show a

very substantial increase in price this year over last year?

A I am not very familiar with the clover business.

Q Would you be surprised to see it sell as high as $17.50 per hundredweight this year for White Blossom No. 1?

A Yes, it might do.

Q My information is that there is an increase of about $3.10 a hundred over last year's price?

A These seeds like clovers and grasses vary in yield a great deal, and you get a fluctuating market for them. May I explain why?

Q Yes.

A According to the demand in the United States and according to the crop produced down there. They use our clovers and alfalfas to mix with their own stuff to pep them up as far as germination and strength is concerned, and depending on the Oklahoma alfalfas and the Nebraska alfalfas, they govern a lot what we sell, and the clovers you speak of are governed by the North Dakota and South Dakota crops.

Q I should like to turn back once more to your table on page 8. You will see in the column "Increase per bushel" that the increase, as Mr. Stimpson has agreed, is overstated in terms of this special rate?

A Yes.

MR. STIMPSON: Wait a minute.

MR. EVANS: By the 21 per cent increase on the old rate.

MR.STIMPSON: I admit the increase would be lower if I had based my example upon the rates in effect between April 8 and August 31, 1948.

MR. EVANS: I suggest to you that in the examples you have given that the maximum difference shown on that table - which I think we previously agreed would be perhaps a little high - would be 48.7 cents per bushel. That is the largest figure on the page. They run all the way from 4 cents a bushel up to 48 cents. I suggest to you that maximum difference caused by the increase in rates would be less than $1 per hundred pounds.

THE WITNESS: You are arguing the difference between the rate prior to April 8 and August 31?

MR. EVANS: Q. Yes.

A Well, I think we are both right, but the fact is that prior to April 8 those were the rates.

Q I will not argue that with you.

A But I would like to argue that. I would like to point out that is what the farmers were paying, you see.

Q I agree with you.

A It is no use quibbling. They really paid that, and now they really pay this other thing.

Q All right, Mr. Dickinson, what I am putting to you is, assuming that is right, that the maximum difference caused by the increase in rates - and that is the two increases, the 21 per cent increase and the removal of the special rate - is 48.7 cents per bushel on that table? It runs all the way from 4 cents to 48 cents?

A That is right.

Q Taking the biggest figure you have got, and that, by the way, is on seed flax?

A That is right.

Q And seed flax is 56 pounds to the bushel?

A Yes.

Q And on 100 pounds that difference would be 87 cents per 100 pounds?

A Yes, but do not forget - let us think of those boys that lose their crop from hail, and they have to buy seed for 300 acres. That really runs into something. Let us think of those chaps that have their crops frozen. Take the Manitoba chaps who are having difficulty in producing clean oats because of wild oats, because where you get grain you get wild oats. If you run into difficulty and have to renew your supplies these rates mean quite a lot to these people.

Q I am not doubting that. I want to point out to you that there could be a fluctuation in the ordinary market much greater than that, either up or down. There may be a fluctuation in price greater than that change in the freight rates?

A Yes.

Q Well, Mr. Dickinson, do you think that would warrant your statement on page 11 that the action of the railway spells disaster to the seed industry of the west?

A I certainly do.

Q Do you mean to tell me that a fluctuation in price on the day to day market of less than $1 is going to mean the making or breaking of the seed industry?

A I do. I have in front of me a table prepared by Mr. Wood of the Statistics Department of the Manitoba government. It shows that in 1930 the price that the farmer received per bushel of wheat was 55 cents, in 1931 41 cents, in1932 38 cents, and in 1933 52 cents, and so on. If you take oats and barley there was one year, 1935,

when oats were worth 19 cents, and in 1932 14 cents. We must live with those prices unfortunately. It would be a nice thing if we did. We may get back to those old figures.

COMMISSIONER ANGUS: Are there any other questions?

CROSS-EXAMINED by MR. McPHERSON

MR. McPHERSON: There are one or two questions I want to ask Mr. Stimpson. We have had you and Mr. Dickinson cross-examined by my friend in connection with distributing tariffs today. That is a term in the freight rate structure peculiar to the area west of Fort William. Is that not right?

MR. STIMPSON: Winnipeg and west.

Mr. McPHERSON: In the east is there a similar tariff under another name?

MR. STIMPSON: I would not care to say, but I have heard they are known as town tariffs applying between.

MR. McPHERSON: Can you tell me whether all the rights and privileges enjoyed between points in eastern Canada under town tariffs are in like manner experienced between points in western Canada under distributing tariffs? Do you know?

MR. STIMPSON: I would say no.

MR. McPHERSON: You would say no. What advantage is there in the related rate, the town tariff in eastern Canada, as against the distributing tariff in western Canada concerning which my friends were cross-examining?

MR. STIMPSON: Well, there are times when the nature of our distributing tariffs inwestern Canada - I mean for distances in excess of 370 miles - as Mr. Evans says, the railways have motor truck competitive rates on l.c.l. traffic only, first to fourth class. If you happen to move a carload of a commodity that takes a class rate between two points, and the point of origin does not happen to be a distributing point then you are burdened with the standard rate which is about 21 per cent higher. The distributing rates are based on 85 per cent of the standard rates.

MR. McPHERSON: Is it your view, therefore, that under the town tariffs there are definite advantages that do not exist under the distributing tariffs?

MR. STIMPSON: I would say yes. I admit --

MR. McPHERSON: And there is no such thing --

MR. O'DONNELL: Let him finish.

MR. McPHERSON: Go ahead.

MR. STIMPSON: My knowledge of town tariffs is that they are what we know in the railway game as "between rates". They apply between two points. In the west the distributing rate is a "from" rate. It only applies from the distributing centre, but the railways do have in their tariffs certain rates where the shippers enjoy distributing rates, for example, on salt. Salt is a tenth class commodity. That salt is produced at Lindbergh, Alberta, Waterways and Neepawa. The railways published a rate based on the tenth class distributing rate as if the stuff originated at a distributing centre. They have this motor truck tariff which gives you distributing rates

between any two points within a radius of 700 miles to any one point up to 370 miles. They enjoy the benefit of the distributing rates which are 85 per cent of the standard rates. Over 370 miles and up to and including 400 miles they have a compromise basis. Why I don't know. After you get over 400 miles then they revert to the standard basis. If you are shipping anything from a point in Saskatchewan that is 420 miles to Winnipeg you would have to pay a higher rate. I should have qualified that by saying that the motor truck tariff only applies on l.c.l. traffic. It does not apply on carload traffic.

MR. McPHERSON: I have one other question, Mr. Stimpson. Mr. Evans was cross-examining relative to pick-up and delivery. In the matter of farm practice generally does the farmer deliver his own goods or does he rely on pick-up and delivery?

MR. STIMPSON: He would have to pick it up himself because he is outside of the delivery limits of the town trucker.

MR. McPHERSON: So far as the farmer is concerned it would not affect him?

MR. STIMPSON: No, no. Mr. Chairman, with your permission I should like to correct the record in respect to the cross-examination of Premier Campbell on June 1 by Mr. Evans. I did not get it at the time but I checked it in the record, and I think you intimated to Mr. Campbell, Mr. Evans, in respect to your cross-examination of him, as to notification of any changes of expiry rates, especially on livestock rates and thoroughbred rates - youmade the statement to Mr. Campbell

that Mr. Stimpson had been advised before the seed rates were to expire on August 31, 1948. Am I correct?

MR. EVANS: No, Mr Stimpson. What I suggested to him was that Mr. Moffatt and Mr. Stimpson both knew in October, 1948, I think it was, that the special rates on seed grain were not going to be renewed.

MR. STIMPSON: I am sorry. I thought you said I had been advised prior to the expiry date, August 31.

MR. EVANS: No, it was after.

MR. STIMPSON: I am sorry.

MR. EVANS: It was after the expiration of the special tariff and before the normal shipping season began for seed grain. I want to be perfectly clear with you.

MR. STIMPSON: We knew it in October, but I didn't know it prior to August 31 officially.

MR. EVANS: I never suggested you did.

MR. FILLMORE: I have one question. Were you here the other day when there was some discussion about distributing rates?

MR. STIMPSON: Well, I have been here three days, but I left about four-thirty or a quarter to five each night.

MR. FILLMORE: Do you understand that town tariffs in the east apply both ways, in and out?

MR. STIMPSON: That is my understanding. I have not had much experience with it.

MR. FILLMORE: How do distributing rates apply in the west? Do they apply both ways or one way?

MR. STIMPSON: They apply from with exceptions.

MR. FILLMORE: I think the Commission was interested

in that subject the other day, and I did not know whether they understood it clearly.

MR. STIMPSON: Well, was my explanation a moment ago on distributing rates satisfactory to you? There are many exceptions to the manner in which they are put in. There are many commodity rates, or what the railways term commodity rates, that are only distributing rates. They are class rates. They are put in on a commodity that originates within a point of production and diffuses out into points of consumption, or the other way around. We have the distributing basis and the standard basis and your standard basis is set by the Board, and your distributing rates are 85 per cent of those rates.

MR. McPHERSON: Is it right that the town tariffs are to and from and the distributing are from?

MR. STIMPSON: What is that again?

MR. McPHERSON: Town tariffs apply to and from?

MR. STIMPSON: To and from.

MR. McPHERSON: And distributing tariffs apply from with exceptions?

MR. STIMPSON: From with exceptions.

MR. O'DONNELL: Would the best way not be to file the documents which are all in writing and then we would all be able to read them and the Commission would see exactly what they are in both cases?

MR. McPHERSON: The only point I wish to make is that Mr. Stimpson is familiar with rates, and we will argue in due course that there is this distinction as between the east and west, and I think it will be borne out by the facts if the Commission can get them from their

own freight expert. It is only for the purpose of getting on the record the distinction between town tariffs in the east on the one hand and distributing tariffs on the other hand that I raised the issue now, having Mr. Stimpson here who is qualified to speak on it and give evidence on it.

COMMISSIONER ANGUS: Any further questions? I should like to ask Mr. Dickinson one question. As to the recommendation that you are going to submit to your Associations that the Railway Act should be amended to require proper notice as to expiry rates before allowing them to expire --

THE WITNESS: I should like to get their approval first.

COMMISSIONER ANGUS: Q. I understand that, but I wanted to be clear whether that would apply to all expiry rates or some of these expiry rates?

A Some of the members of the Manitoba Association, and the Alberta Crop Improvement Association and the elevator companies are interested. In fact, all the elevator companies in this province are interested, and I would not like to presume to speak for them. I think we should stay within the sphere in which we are asked to make representations to you.

MR. COVERT: Q. I should like to ask Mr. Dickinson a question on that matter. Is it because these rates have gone on for such a long time that you recommend that, even though in the final analysis they are to expire on a certain date, before they are permitted to expire on that expiry date they must be submitted to the Board, or there must be some public hearing on the matter?

A Yes. These rates have almost become customs now,

and of course it is quite a shock to the farmer to be suddenly confronted with this after all these years.

Q But as to ordinary expiry rates, if they had just been put in last year and you knew that they were to be in for a certain time, would you make the same recommendation?

A I would not like to say on all commodities. There is a difference of opinion on this very point about seed, I may tell you, amongst some of our own people. I might amplify that by explaining it. Some take the position that the railways were good enough, and we were able to go to them and make this deal, and why tie it up now by the Board of Railway Commissioners and make it inflexible?

MR. COVERT: That is all.

MR. SHEPARD: The next brief - and Mr. Covert will correct me if I am wrong - is that of the Garment Manufacturers' Association, to be presented by Mr. H. H. Guttman, Executive Director of the Association. It is the Garment Manufacturers' Association of of Western Canada.

H. H. GUTTMAN, Called

MR. SHEPARD: Would you read the brief, please?

THE WITNESS: Mr. Chairman, and members of the Royal Commission on Transportation: I appreciate the opportunity to appear before you in presenting this submission on behalf of the Garment Manufacturers' Association, which comprises twenty-eight firms representing most of the Manitoba plants producing work clothes and sportswear, such as overalls, pants, work shirts, sports jackets, children's wear, etc., for men, women and children.

The needle trade industry in Manitoba has grown to such an extent in the last forty years that it is of vital importance to the welfare of this province. In addition to the Garment Manufacturers' Association, which contains the largest and oldest branch of the needle trade industry in Manitoba, there are the following who are not affiliated with our association, namely, the fur goods and fur dressing plants, ladies cloaks and dresses, gloves, caps, etc.

As Winnipeg is now a large manufacturing centre, and due to its geographical position, the matter of transportation is a very important factor. Our industry gained a foothold in Winnipeg due to the following favourable situations:

1. Low rentals in suitable buildings
2. Cheap hydro-electric power.
3. Favourable freight rates.

In developing the needle trade industry the above factors are essential. This industry exercised the utmost in economies in production costs. Indeed the level of freight rates that now exist, particularly since the 21 per cent increase was allowed, has placed the manufacturers in western Canada, such as the garment manufacturers in Winnipeg, in a weaker competitive position. Another increase in the cost of production or transportation, therefore, is likely to endanger the existence of this industry, by rendering it incapable to meet the already stiff competition from elsewhere.

Some obstacles may be judged from the following items:

1. Double transportation costs. As you are aware the needle trade manufacturer has to import the raw

material from the east, and therefore has to pay the cost of transportation over a long haul. Also included in this is the cost of transportation for material lost in the process of manufacture. To this we must add the cost of transportation of the finished garment to the point of destination back to the east or west. The eastern manufacturer has the advantage in that he pays little, if any, for transportation, as most of his raw material is obtained almost at home.

It is true that he has to pay transportation charges for his manufactured articles to a point west, but even then he has an advantage.

For example:

The rate per 100 pounds for raw material from Montreal to Winnipeg, 3.23.

The rate per 100 pounds for manufactured goods from Winnipeg to Vancouver, 4.50.

The rate per 100 pounds manufactured material, Montreal to Vancouver, 6.68, giving the eastern manufacturer an advantage of 1.05 per 100 pounds.

MR. FRAWLEY: Q. Are these all l.c.l.?

A All l.c.l.

2. Lower Labour Costs. According to the latest available report from the Department of Labour, the average wage rates per hour for female sewing machine operators are as follows:

Average rate for Canada	.50
Nova Scotia and New Brunswick	.35
Quebec	.44
Manitoba	.51.

Since procuring the above figures the minimum wage for the beginner in the industry in Winnipeg has been increased from $14.00 per week to $19.50 per week. From the above figures it can be plainly seen that the garment manufacturer in Manitoba is now at a double disadvantage, and that any further increase in his cost of production will increase and aggravate that disadvantage.

One important thing must be noted. Our group of manufacturers produces chiefly work clothes intended for the farmer and labourer, meaning that we cater principally to the lower income group of the population, the men and women who are most sensitive to price fluctuations and price levels, and particularly at the present time when there is a tendency amongst the consumers at large that prices should be lowered.

Now that the government's subsidy on cottons has been removed completely, the price of work garments has increased considerably to the disappointment of the consumer. Since March, 1946, the cost of raw material, particularly denims, has risen approximately 80per cent and the cost of manufacturing the garment has risen approximately $10 per dozen. Part of this increase had to be absorbed by the manufacturer in order that he could continue to compete.

Should another increase in freight rates occur then this additional increase, plus the 21 per cent (which is now absorbed by the manufacturer) now in effect, will have to be passed on to the consumer as the manufacturer cannot absorb any more, and the consequent advance in price may result in the consumer seeking cheaper

goods obtainable elsewhere, or induce them to do without work clothes. It may have disastrous effects also and be a loss to the province of Manitoba.

A summary of the growth of the industry in this province issued by the Census Department is as follows:

	1944	1946
Annual pay roll	3,479,125	4,274,971
Total production	15,085,770	18,358,451
Total employees	3,000	3,373

As outlined in the preceding pages, the western Canadian manufacturers, such as the Garment manufacturers of Winnipeg, are operating at a geographical disadvantage, and that disadvantage has been aggravated greatly by the freight rate structure.

In this submission I have outlined briefly the obstacles we have to contend with at present, and hope the Royal Commission will give full consideration to the position of western industries such as the Garment Manufacturers' Association of Winnipeg, in any recommendations it may make.

COMMISSIONER ANGUS: Any questions?

MR. SHEPARD: I have no questions.

MR. O'DONNELL: I might ask a few questions.

CROSS-EXAMINATION by MR. O'DONNELL

Q Mr. Guttman, your Association presented a brief to the Board of Transport Commissioners when they held their sittings here a year ago?

A 1947, the late Mr. Wilder.

Q Mr. Wilder presented the brief?

A Yes.

Q Were you present at that time?

A No.

Q Can you tell the Commission what is the percentage of the distributing of the manufactured articles as between east and west?

A You mean distributing from Winnipeg?

Q That is right - just approximately.

A Approximately 30 per cent.

Q Thirty per cent which way?

A To the east.

Q And 70 per cent in thewest?

A Yes. That is an approximate figure.

Q Oh, yes, I am not holding you to anything more exact than that. Dollarwise what would that run to?

A That is something I have not figured out.

Q Can you tell the Commission what the total production dollarwise was for 1947?

A I have not got those figures yet.

Q They are available, are they not?

A I don't know. I will have to find out from the Bureau of Commerce.

Q Pardon me?

A From the Department of Commerce.

Q Would you be good enough to see whether you can get comparable figures to those set out on page 4 of your brief for the years 1947 and 1948?

A Yes.

Q Is it fair to suggest to you that the industry made profits during the years 1944 to date?

A I would not say to date. I can only say to 1946.

Q That is all you have figures for?

A That is all.

Q And there were definitely profits from 1944 to 1946?

A That is right.

Q You set out on page 1 of the brief the advantages which the industry enjoys in Winnipeg, low rents, suitable buildings, cheap hydro-electric power, and favourable freight rates. Those are advantages which --

A Prior to 1948.

Q Prior to 1948?

A Yes.

Q The only difference since 1948 in those has been the change in the freight rate?

A Twenty-one per cent.

Q And your competitor had the 21 per cent added on his freight rate as well as you?

A I don't know.

Q Well, it was a general increase, was it not?

A The manufacturer here has absorbed that 21 per cent.

Q And on the other hand the manufacturer elsewhere, I assume, to keep a relative competitive position, absorbed it also?

A I don't know. I cannot tell you that.

Q In any event, you are still able to get 30 per cent of your goods back east?

A That was the last figure I had, the 1947 figure.

Q And the 21 per cent increase was absorbed by the Winnipeg manufacturers?

A That is right.

Q Now, I think you speak here of work clothes?

A Yes.

Q And particularly of overalls. Am I to take it that the figures you give at the bottom of page 2 of your brief are the wages paid to sewing machine operators in connection with work clothes?

A That is an average figure. Some of them run into high brackets, and some a minimum of 35 cents an hour.

Q The last time you submitted your brief you restricted it to work clothes, and I wondered what the reason was for the deletion of the words "work clothes" this time. Is there any reason that you can think of?

A Well, work clothes - where have I got that, what page?

Q At the bottom of page 2. You merely show now the average wage rate per hour for female sewing machine operators?

A That is right.

Q In your brief submitted two years ago the figures were given on the basis of sewing machine operators, female, on work clothes, and I wondered if there was any reason for the deletion of the words "work clothes".

A No, no reason whatsoever.

Q Now, I think by work clothes we can agree that overalls are envisaged?

A Overalls and shirts.

Q When we last went into this matter I think the Board of Transport Commissioners was told that in/100 pounds of freight there would be forty overalls?

A Approximately, yes.

Q That is at page 10,458 of the record in the 21 per cent case, forty overalls in 100 pounds of freight, and reference is made to a shipment from Winnipeg to Calgary, and at that time the rate was 66 cents per 100 pounds?

A L.C.L.?

Page 650 follows

HH

A. L.C.L.

Q. 66 cents per 100 pounds from Winnipeg to Calgary prior to the 21 per cent increase.

A. It must be more than that first class from Winnipeg to Calgary; oh!

Q. That is the information I gleaned from the record.

A. It would be about $2 and something; about $2.19 or $2.20; yes, $2.19; that is more like it.

Q. $2.19, yes. I would beg your pardon. The increase that was asked for, the 30 per cent on the rate that was asked for - that is where I made my mistake, was 66 cents per 100 pounds.

A. You mean the new increase?

Q. The new increase. I made the mistake. That sounds more like it, doesn't it?

A. That is right.

Q. That was the increase then; and you say that the increase which resulted from that application was absorbed by the Winnipeg manufacturer.

A. The 21 per cent, yes.

Q. That is right, 21 per cent, and only 21 per cent was granted instead of 30 per cent which had been asked for, and that 21 per cent amounted to 66 cents per 100 pounds.

A. Or a little less.

Q. And there are 40 overalls in 100 pounds.

Q. So the increase which the manufacturer absorbed, to which youmake reference, amounted to 1-1/7 cents per garment, roughly.

A. That is right. But let me tell you this: If you are not aware of the fact, 25 cents, or even 20 cents a dozen in overalls may mean the difference between gaining or losing a sale.

Q. But other manufacturers had an increase of 21 per cent, did they not?

A. Yes, right across.

Q. Therefore, I would return to page 1 of your brief and say that the only change in the interval has been that change in freight rates because you still have the two other advantages referred to on page 1.

A. Yes.

Q. And your competition is from where?

A. From the east.

Q. From Montreal and Toronto?

A. Mostly Montreal.

Q. And you still, notwithstanding that competition, ship 30 per cent of your production back to the east?

A. Raw materials now are a little more plentiful than during war years. Before, it was just a case of whoever supplied the merchandise got the business.

Q. So that is equally available to you as it is to your competitor, so there is no change in that aspect of the matter. Now, you make a comparison or suggest that the rate from Winnipeg to - -

A. To Vancvouer.

Q. To Vancouver was somewhat higher than the rate from Montreal to Vancouver?

A. That is right.

Q. And in connection with your own particular shipments, there are two additional terminal charges to be looked after when you break the shipment, for instance, at Winnipeg. You get the raw materials here, you process them, and ship them on.

A. During the processing of the materials here we experience a loss. I saythis for the benefit of the members of the Commission. We suffer a loss when they are cutting the materials.

Q. But your competitors have the same loss.

A. Yes, but they do not have to pay freight on it.

Q. But that was the inevitable result. You saw fit to establish your industry at Winnipeg. It is a matter of business judgment whether you operate in one area or in another. There might be certain advantages in operating inMontreal as against Winnipeg, or in operating in Winnipeg as against Montreal.

You point out at page 3 of your brief that since the government subsidy on cotton has been discontinued you have absorbed that.

A. No, we have not. We absorbed part of it.

Q. I would assume there would have been keen competition to meet the absorption to the extent that you absorbed on that.

A. That absorption must have been taken on by the eastern manufacturers as well.

Q. Yes, in order to keep the competitor in view. Now I see that in the west, roughly, 70 per cent of your production is shipped in the west.

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A. I am assuming it is around that figure. That is just a rough assumption.

Q. Could you give me a little more detail of the breakup of where the western shipments go; are they fairly distributed between Manitoba, Saskatchewan, Alberta and British Columbia?

A. I do not know; I am not prepared to comment on that.

Q. Would you break down the 70 per cent for us so we can see where the distribution lies, if you have the figures available. If you will just be good enough to get that information, at your convenience, that will be all I have to ask you, Mr. Guttman.

A. I shall endeavor to get those figures for you.

COMMISSIONER ANGUS: Are there any other questions?

COMMISSIONER ANGUS: Q. Will you tell us what you are asking this Commission to recommend?

A. If the rates remain as they are -

Q. No matter what the railway increase in costs may be.

A. Otherwise it might not give us a chance to compete with theeastern market.

Q. So it is more, then, a question of disparity between the rates from Montreal to Winnipeg as against a transcontinental rate.

MR. O'DONNELL: Q. You are aware that there are changes in the transcontinental rates being considered at the present time?

MR. FRAWLEY: Are you endeavoring to compete in

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British Columbia.?

A. We are endeavoring to compete all across Canada.

Q. Are you endeavoring to compete at the ports where the transcontinental rates apply, such as New Westminster and Vancouver, and are you endeavoring to compete against the manufacturer of overalls in Montreal?

A. That is right.

Q. Notwithstanding the beneficial effect of those transcontinental rates to the Montreal man?

A. We are endeavoring to compete.

Q. And you are now having a satisfactory sale of your products in British Columbia port cities against the Montreal manufacturer?

A. Until I get the breakdown of the figures according to the provinces I cannot make any statement.

COMMISSIONER ANGUS: Thank you very much, Mr. Guttman.

MR. SHEPARD: I have spoken to Mr. Williams who is to give the next submission on behalf of the Creamette Company of Canada Limited and I have also spoken to Mr. Parr, who is the give the following submission; and they have both consented, because of the lateness of the hour to have their submissions put into the record and then to make themselves available for questioning.

COMMISSIONER ANGUS: So they won't be reading their briefs, but they will be here for questioning on them.

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MR.SHEPARD: I understand that their brief will appear in the record.

MR. SHEPARD: There are two Mr. Williams appearing together; they are both associated one with the other. One is the general manager and the other is the sales manager.

GEORGE WILLIAMS and ROBERT WILLIAMS, called

Submission by the Creamette Company of Canada, Limited to the Royal Commission on Transportation

It gives me great pleasure to appear before the Royal Commissionon Transportatin and to have this opportunity to present to the Commission the problem that our company faces regarding freight rates and to endeavor to show how this problem is affecting our business operation, a manufacturing concern situated in Winnipeg.

My brief is written in what is perhaps an irregular form for presentation before a body such as this, but it was prepared in this form in order to show the Board an example of the procedure necessary to endeavor to have a particular rate changed. I would like to emphasize that I am aware that this Commission has no powers to alter the present freight rate structure, and in presenting this brief no request for alteration is intended. It is only my desire to outline the problem and the method of approach which my company has used.

One main reason for taking up the time of this important Commission is to place before it an illustration of the complicated and unsatisfactory nature of the present machinery available to any member of the public

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seeking relief in a matter concerning freight rates.

It will be noted that the initial application is made to the Canadian Freight Association, which we understand is largely sympathetic to the railways and is, inour opinion, unlikely to render decisions that will result in loss of revenue to the railways.

If the Canadian Freight Association turns down an application, it is open to a member of the public to apply to the Board of Transport Commissioners for relief. This involves preparing a case which must stand up to the scrutiny of the railway experts. It is for this reason that we recommend that the Board of Transport Commissioners should be equipped with experts of comparable ability with those of the railways, such as experts to be available to assist and advise the non-expert members of the public who pay the freight, but who cannot be expected to have an intimate knowledge of freight rate matters.

CROSS-EXAMINATION BY MR. COVERT
of the witness, Robert Williams.

MR. COVERT: Q. I would like to shorten this if I could put it to you this way: Could your brief be summarized thus: That macaroni and spaghetti should be given a different classification.

A. That is correct.

Q. That is, taken out of class 5 and put into class 8. You also allege that there is discrimination in favor of the eastern producer due to geographic location.

A. Well, geographic? Not that! Just freight

rates! Not geographically! We pay three times the freight rates that the manufacturer in Montreal, Toronto or Vancouver would pay, and for a product to which nothing is added or from which nothing is taken away.

Q. Then that is the theory of your submission?

A. That is right.

COMMISSIONER ANGUS: Are there any other questions?

MR. FRAWLEY: You pay that you pay three times the freight rate that a manufacturer in Montreal, Toronto or Vancouver would pay?

A. Approximately.

Q. Is that because of the difficulty in the freight classification.

A. We pay it because macaroni is in the fifth classification of groceries.

Q. But doesn't it come under the fifth class as well for the eastern manufacturer.

A. Yes. But they get their grain down there on the grain rates. We ship macaroni at $1.38 per CWT.

Q. So your complaint is with the difficulty about the classification.

A. That is right. There is too much of a spread there. They are both grain, basically; but we are paying three times as much freight rates because our product is in the form of macaroni.

MR. COVERT: Mr. Commissioner, it appears that the reporter is having difficulty with this witness. Is it not so?

THE REPORTER: Yes. We have had a great deal of difficulty in following him.

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MR. SHEPARD: Mr. Chairman, with your permission, I will call Mr. W. L. Parr.

W. L. PARR, called

MR. SHEPARD: Mr. Chairman, Mr. Parr is the General Manager of the Ray-O-Vac (Canada) Limited, which is a company manufacturing batteries in Winnipeg. He is prepared to present his brief, and is presenting it on behalf of the Industrial Development Board, using his own company as a basis for any illustration that he is drawing on in the brief; and I think, as long as the reporter understands that the brief goes in toto into the record, that Mr. Parr will not take time to read it but will answer questions.

Brief Submitted by Mr. W. L. Parr

Mr. Chairman and gentlemen of the Commission: I wish to present this brief on behalf of the Industrial Development Board of Manitoba and to illustrate some of the problems which Western industries face, by referring to the freight problems of Ray-O-Vac (Canada) Limited.

The present sessions of your Commission open one of the most important enquiries Canada has had, for the recommendations which you make will have a profound effect on Canada's prosperity and growth for many years to come.

Canada's greatest population and greatest concentration of industry and commerce are located in Ontario and Quebec. This is naturally so, for they were populated and developed earlier than this western country.

As the West opened up and developed, the small industries of the East grew larger to take care of increased demands. It is important to remember that a great number of these now large industries had small beginnings.

The opening of the West was due to the immense fertile lands available for agriculture. Hence farming and the accompanying necessary distribution of goods marked this era of Western Canada. The railways played an all-important part in this development, for without transportation our produce could not have reached consumer markets, and adequate distribution of goods would have been impossible. Transportation and transportation costs particularly will be equally important in the next phase of development of the West.

In an agricultural sense, the era of further Western expansion is practically over. In fact the population may be declining, for, as power farming continues to develop, the same acreage will require fewer people to till the soil and harvest the crop. If this be true, then our distribution system is also at a standstill. Distribution depends upon people requiring goods, and if our population remains static no more people can be engaged in this work than are presently employed.

Now, as a nation, Canada must grow, her population must increase to develop and utilize our vast resources. Indeed, with the trend in world trade today, agriculture may be facing a serious future problem unless we have more people within our own borders to absorb the products of the soil. And how is a greater

population to be employed? -- Not by agriculture, not by distribution and commerce, primarily it must be through employment in industry. It is this basic fact which makes your findings of such utmost importance, for freight charges can make or break one region in comparison with another.

We, in Winnipeg, maintain that the present freight tariffs and regulations;

favour Eastern Canada to our detriment:

serve to further industrialize the East as compared with other areas:

preclude cities in the Prairie Provinces from becoming a Chicago or St. Paul-Minneapolis unless more favourable rates and regulations are made:

that we shall remain "hewers of wood and drawers of water" and I might add "tillers of the soil" until manufacturing gives these areas a more balanced economy:

And further, we maintain it is in the interests of all -- of Canada as a nation, of Eastern Canada, of Western Canada, and of the railways themselves, to see that population and employment increases in all sections of the country.

Ray-O-Vac (Canada) Limited manufactures dry cell batteries in Winnipeg, and distributes from Newfoundland to Vancouver Island. There are three competing firms, all located in the Toronto area. Hence we can give some specific illustrations from this business, of the freight rate benefits which Eastern competitors enjoy, as compared to Ray-O-Vac (Canada) Limited, whose goods are sold at the same price level at all points, and

therefore outward freight is absorbed.

First of all it is obvious that before the company can compete in EasternCanada, it must pay the freight from Winnipeg to Toronto. They were quite aware of this fact when they opened in Winnipeg, but the extra freight cost involved has increased greatly during the past year. These carload shipments enjoyed a competitive rate -- the result is that in addition to the 21 per cent general increase granted, a further raise in rates was made, so that this particular rate has increased by 32% since last March.

Now it may be said that, in that regard, they are in no worse position than their Eastern competitors. That is true as it applies to Eastern shipments to Winnipeg and Manitoba. But for shipments to Saskatchewant, Alberta and B. C. it is not completely true. Offhand it would seem safe to assume that a plant in Winnipeg would have a decided advantage in freight costs to these Western provinces over Eastern producers, but that is not so -- why? Because in the East there are more manufacturers of a similar classification of goods to make up pool cars and obtain carload rates from Toronto to Regina, Saskatoon, Calgary, Edmonton and Vancouver than in Winnipeg. Hence, normally the Winnipeg manufacturer must pay l.c.l. rates to these points as compared with the carload rate from Toronto, even though the individual Eastern comcern may be shipping equal or lesser quantities. As for B. C. the carload rate is exactly the same from Toronto as from Winnipeg, on account of the Panama Canal rate; furthermore the Winnipeg

shipper is under a still greater handicap, for to obtain that carload rate, they must ship a 30,000 lb. car as compared with 24,000 lb. cars to intermediate Western points.

On the above basis, how do these rates compare?

To	C.L. from Toronto	L.C.L. from Winnipeg	Difference
Regina	2.24	1.27	.97
Saskatoon	2.40	1.52	.88
Calgary	2.82	2.21	.61
Edmonton	2.82	2.17	.65
Vancouver	2.09	3.76	(1.67)

This illustrates the decided advantage the Eastern manufacturer enjoys in entering what might be considered our legitimate territory as compared with $1.67 which we must pay to Toronto before entering their territory. To go one step further, even the favourable difference as shown is more apparent than real, for if the Winnipeg manufacturer is only servicing Western Canada, then the Eastern manufacturer who is servicing Eastern Canada also, can compete favourably because of the larger volume produced at his plant and hence a lesser unit cost of production.

It is interesting to note that if Ray-O-Vac (Canada) Limited ships to Vancouver l.c.l. against c.l. from Toronto, their additional cost is exactly equal to that of shipping from Winnipeg to Toronto. Unless they can make up a 30,000 lb. car themselves, B.C. thereby becomes a "natural" market for Toronto the same as Ontario. It cannot be said that the

Eastern advantage is geographical; recall our point that these manufacturers had small beginnings and grew as the demand for their products increased in the West.

What is the remedy? I suggest it lies in a reclassification of goods so that pool cars may be made more readily available for Winnipeg manufacturers. If we could obtain pool cars then the freight cost comparison would be:

To	C.L. from Toronto	C.L. from Winnipeg	Difference
Regina	2.24	76	1.48
Saskatoon	2.40	93	1.47
Calgary	2.82	133	1.49
Edmonton	2.82	129	1.53
Vancouver	2.09	209	-

Such an arrangement would then come closer to equalizing the $1.67 the Winnipeg manufacturer must pay to enter the Eastern market.

It should be noted too that more pool car shipments as against l.c.l. would not mean a straight loss to the railways, for their expenses of handling at freight sheds, and extra billings and collections could be reduced.

This suggestion does not involve a protectionist measure with consequent higher priced goods in Western Canada; it does not mean raising the present rates from the East. But it does mean that the Winnipeg manufacturer could reach his geographical market with a similar advantage as the Eastern manufacturer enjoys against Western goods entering their market. Or a

Winnipeg manufacturer serving Western Canadaonly, and hence with lesser volume and higher unit costs could offset that disadvantage to the extent of the favourable freight rate.

As for the Panama Canal rate, we can see no justification for such rates, unless other rates, by comparison, are fantastically high. True the railways say they will lose the business if they do not meet the competition, but let us ask two questions:

1. Would they lose it?

(a) All the year round -- for instance in the winter athe Toronto shipper would have to pay railway freight from Toronto to Halifax, before obtaining the best rate.

(b) Because of the time factor -- by rail his goods reach Vancouver in a week to ten days, by boat six weeks to two months. Should he not pay a premium for prompt delivery?

2. Do these rates result in a loss? If other freight rates, which, by comparison, are much higher, only show a small net return, then these Panama Canal rates are operated at a loss, and other freight rates must pay for these losses. Since freight rates and not revenue per mile are higher in the West than in the East, the conclusion must be reached that the West subsidizes this special rate to give the Eastern manufacturer an artificial, not a geographic advantage.

We next suggest that the railways revise their whole tariff structure. At the present time they start off with basic classifications of goods which are

to be carried at specified class rates in c.l. and l.c.l. quantities. Then multitudinous amendments are made by means of supplementary tariffs by which special rates are granted. Unless a manufacturer can enploy a traffic expert, he may never discover there are more advantageous rates available. These supplementary tariffs must cost the railways thousands of dollars merely in printing them and in staff engaged to look after them and make correct billings. Even the railway rate clerks have difficulty keeping up with them, for we know of many instances where a prompt answer is not given to inquiries made. Our railways operate as a public carrier under authority of the Dominion Government, and as such the freight classifications should be simplified and straightforward, so that any shipper, small or large, anywhere in Canada, knows that he and his competitors receive the same rates and pay the same freight costs.

It would appear as if freight rates and classifications have developed in a hit and miss fashion depending upon the circumstance of the moment. We believe an impartial, scientific review and revision should be made. Manufactured goods should be grouped so as to have a common basis of:

weight for bulk
selling value for weight
damage claim potential

Dry cell batteries illustrate the point -- it is classified as electrical, with second and fourth class rates. Other electrical goods so classified are:

	Retail Value	Shipping Weights	Freight at $2,000	% of Selling value
Refrigerator	337.50	410	8.20	2.43
Toaster	14.95	5	.10	.67
Iron	12.50	3	.06	.5
[O] Washer	149.50	168	3.36	2.25
[O] Range	369.00	315	6,30	1.7
Ignition Cell	.80	2	.04	5.
Radio Battery	5.25	12½	.25	4.76

[O] Comparison here is understated, for these goods are carried fifth class! -- hence the freight cost would be less than indicated!

At a $2.00 rate a car of refrigerators worth $16,875, would provide $410.00 revenue; a car of ignition cells worth $9.600, would provide $480.00.

Naturally at a public hearing, I do not wish to divulge the selling price of Ray-O-Vac (Canada) Limited, but when it is realized that the 80¢ price mentioned is the retail price, and therefore, wholesale and retail margins have to be deducted to arrive at their selling price, and that 8% sales tax is also included in their selling price, you can approximate the heavy cost of outward freight in relation to their net selling price. This heavy cost, along with freight charges paid on raw materials, limits very materially any reduction which can be made in the selling price to the consumer.

Does the above not indicate a need for revision of the whole structure?

Lastly, freight rate charges for Western Canada should be reduced to a comparable basis with the East. Illustrations are:

Toronto to	Miles	Rate	Winnipeg to	Miles	Rate
Halifax	1100	.90	Saskatoon	470	.93
			Edmonton	801	1.29
Vancouver	2703	2.09	Vancouver	1473	2.09

One further illustration of the topsy turvey condition of the freight rate structure:

Recently, Newfoundland was added as a province of Canada, and Ray-O-Vac (Canada) Limited made inquiries as to freight rates. They were informed that the second class rate (l.c.l.) Winnipeg to St. John's, Newfoundland, was $4.12. More recently, to check our freight rate quotations for the purpose of this inquiry, we again queried this rate and were informed it was $3.70. One of the other was wrong, so again we checked and were informed that $4.12 was the rate from Winnipeg to St. John's and $3.70 was the rate from St. John's to Winnipeg! A difference of 11.35%! This illustrates also the difficulties of rate clerks in keeping fully informed on all rates.

Gentlemen, let me conclude with my opening remarks -- Western Canada can only absorb further population through industrial development. More people engaged in factories means more wholesale and retail trade, more business for banks, insurance companies and other services, more construction -- of homes, schools, stores, office buildings, and factories, more work for professional men, and indeed more revenue for the

railways. Increased employment in industry means more farm produce consumed at home, more municipal, provincial and dominion government revenue, more self-sufficiency within our own borders and thereby our economy not subject to the same extent to trade and currency conditions of other lands. If this development is to take place, the policy of rate making must be one of encouragement, not discouragement. That is why the Industrial Development Board of Manitoba is interested in the growth of industry in this region, and why we consider your Commission is of such supreme importance to Western Canada, and the nation as a whole.

Respectfully submitted.

INDUSTRIAL DEVELOPMENT BOARD OF MANITOBA

W. L. Parr,
R.S.

MR. SHEPARD: Perhaps I might ask Mr. Parr if he would like to summarize very briefly in his own words the effect of his submissions, and then questions can follow.

THE WITNESS: I think it is a little more difficult than reading it.

MR. COVERT: Q. I have made a short summary of it for my own purposes, and perhaps I might ask if this fairly well summarizes the brief. As I understand it you say in effect that eastern shippers, because there are several of them, can pool their shipments and make a complete car, and that you are not in as good a position to do that here. You are one manufacturer compared with perhaps seven or eight in Ontario, and in fact your eastern competitors can compete in Vancouver on a lower basis than you can although you are nearer tc those customers, and that is because of the freight rate?

A That is quite true.

Q And the possibility that they have of pooling cars?

A That is right.

Q And you suggest as a remedy the reclassification of your goods?

A Yes.

Q So that you can more easily complete a carload?

A Yes. I would not want to leave that as the essence of the brief though. I would like to go this far that I am only using the illustrations from my own company here because I am familiar with them, but I am appearing on behalf of the Industrial Development Board. Our contention is that unless there is a review of the present

freight rate structure, and the problems that are associated with it, we cannot see much hope of this western country ever developing beyond the present point of agriculture as it now stands plus the distribution which is necessary for the present population.

Furthermore we contend the only way this country can grow from here on is by greater employment in manufacturing concerns,and thereby absorbing the agricultural products which are grown here, and also thereby effecting greater distribution in commerce throughout this whole region, and in that way giving greater employment in these industries. The particular problem to which Mr. Covert has referred is one that I believe has been referred to before. One of the difficulties of a manufacturer in Winnipeg is where he is manufacturing a product which goes in the higher brackets of classification, and makes it most difficult to obtain a full car. The result is that on a 24,000 pound car three shippers in Toronto can ship 8,000 pounds and make up a car and get the pool car rate whereas as a single manufacturer I have to ship 24,000 pounds, and to Vancouver I have to make up 30,000 pounds before I can get a carload rate. If I do not obtain that I am paying as much more l.c.l.on my commodity to get it to Vancouver as I do to enter the eastern market with a carload to Toronto. In that way the province of British Columbia becomes a natural market for the east although they are twice as far away.

We maintain too that there may be historical reasons for it,but we point out that there are some discrepancies between freight rates which are established for distances

in the east and those which are established in the west. I have kept it down to a minimum of two glaring examples. A shipment to Halifax from Toronto, 1,10C miles costs 90 cents, and to Saskatoon from here, 470 miles, less than half the distance, it is 93 cents.

If the contention is true that operating costs are lower - and even if they are equal to the east - it seems as though there is a great discrepancy in the rates which are being charged in the west on a smaller mileage basis on the same commodity.

We believe that some of the products are improperly classified, or could be subject to reclassification. We give an illustration there where on some of our products we pay 5 per cent on the resale price on outward freight as against one-half per cent on other commodities of the same classification but with a much higher resale value as compared to the freight.

There is another anomaly which we discovered on checking these rates to be sure of our ground. We find that to ship from Winnipeg to Newfoundland costs 11 per cent more than it does to ship from Newfoundland to Winnipeg, exactly the same haul and exactly the same distance. If the west ships east they pay 11 per cent more than the eastern man pays shipping west. As I say, the confederation agreements may have something to do with it, but it does not look logical to the man who is doing business and is considering the cost of hauling as being the factor determining the rates which are to be charged.

We believe that consideration should be given to

the Panama Canal rate because if the railways are obtaining sufficient revenue to pay their costs then we must by hauling it half as far be contributing a great deal toward that after income tax, which the railways want. I think that those are the essential things. As to the Panama Canal rate I do not know that in the case of our competitors the Panama Canal rate would always be effective because of the time element which would be involved in the shipment, the greater amount of merchandise you would have to have en route, and the very slow service you would be able to give your customers in Vancouver. Because of elements of that kind we believe that the eastern shipper should be charged a premium for that as against what he might do by shipping by boat all the way around. I think those are the highlights of the brief.

COMMISSIONER ANGUS: I think that has given us an idea of your difficulties and the remedies that you suggest. Are there any questions?

MR. O'DONNELL: I have a few.

CROSS-EXAMINATION by MR. O'DONNELL

Q At the top of page 3 of your brief you say:

"These carload shipments enjoyed a competitive rate."

That was a rate of $1.26\frac{1}{2}$ a hundred pounds?

A Yes.

Q You know, do you not, that was the rate which prevailed in the east for shipments such as yours before you went into business?

A Yes.

Q And that the railways when you went into business

and I understand upon your request, thought that it would be well to foster the battery business in Winnipeg and gave you the same rate as the rate which previously prevailed in eastern Canada?

A Yes.

Q They put you on the same basis as the eastern people?

A Yes.

Q Is it not the situation that this rate was subsequently cancelled by the railways, both for you and for your competition in the east?

A I only know it went up. I don't know the procedure.

Q In any event my information is, that competitive rate being no longer justified, it was wiped out both for you and your co petition in the east and a fourth class rate of $1.67 was established?

A That is right.

Q And that rate of $1.67 applied not only to you but to your competition?

A Yes.

Q Are you aware of that?

A As long as you do not stop there. I am in agreement up to that point.

Q That is all I am asking you to agree to on that point. I am going to leave that point right there. If you have anything to add to it go ahead.

A That cost is a fixed cost as far as we are concerned befor we can begin to enter the eastern market. We have to ship carloads to Toronto. As our classification

stands at the present time, if we could get carload rates, if we could get our classification such that we could get pool car rates to western cities which we claim are our logical markets then the $1.67 which we pay to Toronto would be largely offset, not altogether.

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Q. If you will permit me, I was coming to that. All that, I think, is another aspect.

A. You said you were going to drop this.

Q. I wanted to make it clear that when you went into the business you were given the same rate as the eastern manufacturer had.

A. That is right.

Q. And the eastern manufacturer had a competitive rate; and that rate being no longer in existence, that rate was cancelled for you and for them, and a new fourth class rate came into effect for you and for them?

A. Yes.

Q. Now, you suggest that you would like the privilege of mixing, and getting a rate that would permit you to do business on a little better basis.

A. There are technical terms involved here; but I would call it a pool car.

Q. All right then, pool car rate, or mixing car rate. We are not in disagreement as to terms. That would solve your problem, you feel?

A. Partly.

Q. You were not here when Mr. Wilton of the Manitoba Federation of Agriculture and Co-operation was testifying?

A. No.

Q. Well, for your information, let me say that the business of/mixing the rule is something which is quite indifferent to them; and the mixing rule as it stands at the present time was something which was gone

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into many years ago. It resulted from a decision of the interested parties in this particular part of the country; and it gets down to certain people such as yourself who want it while other people do not want it.

A. I deliberately refrained from using the word "mixing". I thought that our illustration of other electrical goods should be borne in mind. But actually I suppose the problem should be re-classification rather than mixing or pool car, whichever way you wish to describe it.

Q. What you want is a change in the classification rules; and one of those rules is the mixing rule. And I suggest the initiative is yours to get it changed; and if you apply to the Board of Transport Commissioners, and if you have a case and if your opposition is not too strong and prevails over you, you will get it. The railways have not any feelings in the matter.

A. The railways make it too difficult for the individual who cannot hire a traffic expert.

Q. If you just mail a postcard to the Board of Transport Commissioners, you will set in motion the machinery which is set up to take care of this particular type of thing.

A. I would suggest that your railways co-operate with local industry to advise on this sort of thing.

Q. We have many customers here as well as you, and many of them do not want what you are asking for.

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A. I have been working with the railways for years, but I have not got to first base.

Q. Well then you try sending a postcard to the Board of Transport Commissioners and I suggest you will get to first base.

MR. FRAWLEY: Yes, and see what will happen to you then.

MR. O'DONNELL: Q. At the top of page 7 you set out what you say are comparisons of rates.

A. To a point, yes.

Q. To a point; you compare shipments from Toronto to Halifax with shipments from Winnipeg to Saskatoon. The shipment from Toronto to Halifax is 90 cents for 1100 miles, and from Winnipeg to Saskatoon it is 93 cents for 470 miles.

A. Yes.

Q. Do you understand what the basis of the rate is from Toronto to Halifax?

A. I understand it has something to do with the Maritime Commission rates.

Q. No, not that one. That one hastto do with water competition. You see, the St. Lawrence river runs east towards Halifax and allows boats to run; and that is the basis of that rate.

A. But what happens when the St. Lawrence freezes up?

A. At certain times of the year they may be in effect, while at other times of the year those rates are not in force. But the rate you refer to there is a water-compelled rate. It may be the Commission will

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consider whether the railways should pick up some revenue by taking up that kind of business which would help to keep your other rates down.

A. That is right.

Q. And the second rate you say, again there; you take Toronto to Vancouver, the rate being 2.09 for 2703 miles and you compare it with Winnipeg to Vancouver, with a rate of 2.09 for 1473 miles. What do you find wrong with that?

A. The railways are hauling that thing twice as far for the same cost.

Q. But the first rate, the Toronto to Vancouver rate, is a transcontinental rate in which the Panama Canal, to which you refer, comes into play.

A. Yes.

Q. The railways here, in order toencourage your industry, gave you the same rate as they gave to the men in the east who could get it anyway by shipping by boat.

A. And should we feel grateful forthat?

A. I think you should, because otherwise you would pay the ordinary rail rate from Winnipeg to Vancouver which would be higher.

A. Yes, about 30 cents.

Q. Well, at least it would be higher. So what is your complaint on that basis? I say that in the first instance you got the earlier rate of $1.26 and you are in absolutely the same position as the eastern competitor; and here, in this case, you are given the

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same treatment to keep you on an absolutely competitive basis although on a straight railroad freight basis you should be paying more than you are. You would not suggest that we should raise your rate towhat it should properly be, would you?

A. If we are 1500 miles closer to Vancouver, it is possible that more of a natrual market for us is there than at Toronto; but the railways do not make it so by giving the same rate all the year round.

Q. You qare not going to ask this Commission to put pyou in a more favorable position than the other man who has the benefit of the transcontinental water-compelled rate?

A. I point out that they are an anomaly here and that there are certain factors which must be taken into consideration if Western Canada is to be permitted to grow and develop industrial-wise. There must be some corrections made. You cannot make British Columbia the natural market for Ontario and expect the west to develop into an industrial area such as the midwestern states have.

Q. But that was done not by the railways but by geography and the fact that the St. Lawrence river is where it is, and the Panama Canal is where it is, and that ships run. You think there is an anomaly? But I think or suggest it will disappear if you look into it. Take the Newfoundland situation. You do not understand why there are different rates one way from the other way.

A. That is right.

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Q. You say your rate to Newfoundland was $4.12, while a man shipping fromNewfoundland to you had only topay $3.70; and that to you seemed strange?

A. Yes.

Q. If you will look at the Maritime Freight Rates Act you will find the reason is because Newfoundland became the tenth province of Canada, it is governed by the provisions of the Maritimes Freight Rates Act, and there is a discount of 20 per cent in favor of the shipper in that selected territory in the Maritime Freight Rate part of the country. That explains the difference. That is not the railways fault, that is the law.

A. I do not suggest it is the railways' fault. I have got it in the record and the Commission may feel there is something funny about it.

MR. O'DONNELL: Thank you, that is all.

MR. SINCLAIR: Q. You said that what the Manitoba Industrial Development Board was interested in was an investigation into the freight rates structure.

A. I might have used that term.

Q. And did you know that the Board of Transport Commissioners are now engaged in such an investigation?

A. No. I just learned of it since these sittings started.

Q. On page 2 of your brief you mention that your goods are sold at the same level of prices at all points.

A. That is right.

Q. Are you in favor of national prices on all commodities?

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A. That is rather a large question. There are many commodities which are handled in that fashion. You have to follow the ordinary course of trade that is carried on. Would you think that national prices might result in wasteful transportation?

A. I cannot answer that one offhand. That is too deep. I do not know.

COMMISSIONER ANGUS: Are there any other questions? If not, we thank you very much, Mr. Parr.

MR. COVERT: There is one more presentation, if we could finish it tonight.

COMMISSIONER ANGUS: Is it a brief which could be finished within the next fifteen or twenty minutes.

MR. COVERT: Yes. It is theCanadian Air Line Pilots Association.

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MR. COVERT: Mr. G. H. Smith is appearing for the Pilots' Association.

MR.SMITH: Mr. Chairman and gentlemen, I believe this is the first submission of its kind that has been made before this Commission and possibly a word of explanation is in order. This is a submission on behalf of the Canadian Air Line Pilots' Association, of which Captain Eddie is the Executive Vice President. This afternoon most of the evidence which has been given and the briefs which have been submitted have been in connection with freight rates and problems peculiar to railways. This comes within the general provisions of the terms of reference, and we are not, of course, interested in the railway picture at all except incidentally.

Now a word as to the make-up and the constitution of this organization. It is an association of air line pilots of Canada, with about 350 members - let us say 350 active members, 50 non-active members, which includes men in supervisory capacities and executives. These men feel through their association that they can make a contribution and make some valuable and constructive suggestions to this Commission with a view to carrying out the purposes for which it has been formed.

First of all theyfeel that the airways should be considered as a separate means of transportation rather than as an adjunct to the railways or the waterways means of transportation. Air transport is pretty well grown up so far in this country, we feel,

and it has come to the stage when certain general principles can be enunciated which should be considered in any investigation which has to do with considering the transportation picture generally.

In addition to representing these 400 men who are pilots and others, all interested in the transport industry and in particular the air lines industry, air lines transportation, they have not confined themselves actually to the interests of the pilots proper but theyhave obtained a wealth of information and research and have done considerable research into air transportation systems not only in Canada but also in the United States, England and various other parts of the world, and they feel for that reason that they can offer something which will be of value to the Commission and which will be worthy of their study.

We filed a brief with the Commission, and I have told my good friends of the railways that we will give them a copy of it as soon as we have sufficient available. This is not a contentious brief, may I reassure you all, but it was a constructive brief with suggestions which we think are worthy of consideration. There is one change which Captain Eddie will draw to your attention when he comes to the brief. At the top of page 7, if you do not have the brief, we omit the top paragraph of page 7. That does not form a part of our brief.

COMMISSIONER ANGUS: Beginning "this comparison indicates"?

MR. SMITH: Yes, Mr. Chairman. You can strike

that paragraph out; it does not form part of the brief now.

I am going to ask Captain Eddie to give the brief because it has specific recommendations, some of which may verge on the technical side; nevertheless they are all given in perfectly good faith. We have no axe to grind, but we are anxious to give any suggestions which may be in the public interest, and we are only too glad to assist the Commission in obtaining the necessary information which may be required to substantiate these four general conclusions. I think I will call on Captain Eddie, if he will be good enough to read the brief to the Commission, and do not hesitate to ask questions if you so desire; as I say, remember that we will cooperate in every way we can.

BRIEF PRESENTED BY CANADIAN AIR LINE PILOTS' ASSOCIATION

MR. A. R. EDDIE: This brief is presented to the Commission in the hope that the view of the man who do the actual flying may prove valuable in the consideration of the best way in which air transportation may be made to serve the public interest.

The brief is divided into two main parts, under the headings of equipment and operation. No apology is made for the introduction of the former, because it is inextricably bound up with, and has a profound effect on, the latter.

We have endeavoured to make our presentation objective, and to avoid criticism of any individual or organization while indicating paths the following of which we think may result in improvement. We are open-minded, however, and our policy is to work with others,not for any consideration of narrow self-interest, but for the common good.

A strong and efficient transportation industry is essential to any nation which intends to retain its freedom and its place as a world power. In the general scheme of transport aviation holds a unique position -- in its ability to reach places inaccessible to other forms of transportation, in its speed, its close alliance between military and civil arms, and in the rapidity with which new development is constantly taking place.

As in the case of Berlin, air transport can affect the fate of nations, and as in the case of our own northland, it can facilitate the development of backward areas.

EQUIPMENT:

An efficient air transport system can only be built on good equipment, which in turn means that a strong manufacturing industry must be maintained to ensure a constant supply of good aircraft.

In order that the supply of aircraft shall be assured in war as well as in peace, it is necessary that factories for the production of aircraft, of engines and of essential accessories, be maintained within our own borders. Moreover, so that the industry may be kept in a constant state of readiness not only to supply our needs in peace, but also in time of war, orders for equipment must be spread overthe industry to enable all plants to keep active a staff of Men who Know How.

Modern aircraft, especially largely transport types, and big engines have become so complicated and there are so many ifs in bringing out a new design that only with the aid of government funds can an adequate amount of experimental work and research be carried on. Paradoxically, although only governments can afford th4 cost of aircraft and engine development, only private enterprise can provide satisfactory results for money expended.

Therefore, government must be prepared to foot the bills for research and development without overcontrol or too much restraint, and the incentive of profit making must be maintained.

At the same time, all possible means should be taken to keep alive a reasonable amount of competition and safeguards introduced lest the Treasury become a sort of fairy godmother to incompetent firms and useless projects.

In order to keep alive the profit motive, we suggest that firms with successful designs be allowed a fair reward in the form of primary contracts, and to keep the rest of the industry in business, that secondary contracts, as a lesser compensation, be awarded for building other firms' designs under licence.

To retain fair competition and to avoid the evils of an overprotected industry, we suggest that the products of the designers of other countries be considered always, such designs, if acceptable, to be built by Canadian firms under licence from the originator of the design.

With regard to competition from outside, and without deprecating the obvious advantages of "Zonal Standardization", we believe that the output of all countries should be taken into consideration when new equipment is to be selected. We cannot afford to rest content with second best aircraft, and no one section of the world can claim a monopoly of engineering talent or be at all times sure of leadership in quality of aircraft. As long as the machine is wholly produced in Canada, it matters little from the viewpoint of supply where the design originated.

We believe that in the public interest the air lines should stay out of the field of the design and manufacture of both complete aircraft and components. Aircraft production is a highly specialized business, and although the air lines should know what they want and insist on

getting it, the manufacturers should be left free to produce it, using their production "know-how" to obtain the best and cheapest results. Any encroachment by the air lines on this specialized field can only lead to duplication of effort and of personnel, weakening of the manufacturing industry, less satisfactory results, and greater expense to the taxpayer.

Operation:

With regard to the operation of air lines, we believe that, always acknowledging safety as the cardinal principle, every effort must be maintained to ensure that the maximum possible service is rendered to the public and that all avenues should be explored to make the air lines more efficient, and flying consequently cheaper so that it is within the reach of the greatest number of people.

In order to ensure that our air lines are fulfilling their obligation to provide maximum service in the areas which they serve, we suggest that our system of route licences be examined. The policy of issuing licenses to air lines for a certain operation or route was originally evolved to protect the public from the consequences of cut-throat competition, and the control of tariffs is similarly intended to reduce the possibility of rate cutting wars.

However, possession of a route license often gives an air line a virtual monopoly on the traffic between specified points, and it may not at all ensure that the operator will provide the maximum possible service to the travelling public. This is supposed to be governed by economic laws, the competition of ground transport and

the desire for profits, but monopolies tend to become lazy and inefficient, and the loss of business to ground competitors cannot always be measured; also we are not satisfied that the desire for profits always outweighs the timidity of those who fear that they may, as individuals, be blamed for making faulty estimates of traffic potential A very high Canadian air line official is responsible for the statement that because of factors such as fixed charges and constant overhead, only about 20% of the cost of operating a service is saved by cutting it off, whereas 100% of the revenue is lost. It follows that the traffic potential would have to be extremely low to justify the cutting of services during slack periods, yet we are faced every winter with large cut backs in schedules in some parts of the country.

The secret of success in any form of transportation is "Frequency of Service", and moreover, the public is entitled to have as great a frequency as is economically possible, so unless a service shows a definite and unavoidable loss, it should be operated.

Although it is difficult to ascertain how much business is lost by an air line to ground transportation or to American air lines giving alternative service, yet it may be that competition from another domestic air line would be more effective, and that a judicious awarding of licenses to more than one Canadian air line to serve any general area may provide enough stimulus to ensure to the public an adequate service without the evils of an over-competitive situation. We believe that a system of trunk routes and feeder routes (including parallel

feeders) operated by more than one company is worthy of examination and may provide a satisfactory answer.

On the score of greater efficiency and lower costs, we believe that some thought might profitably be given to the merging of these facilities of different air lines which are susceptible of joint operation without endangering safety or giving rise to operational disputes. We have, for instance, in some places duplication of ramp and cargo crews, dispatch, commissary and reservations. Some of these at least must be working below maximum possible efficiency, and it might well be that a system could be evolved along the lines of the union stations in use at certain railway terminals.

We note an encouraging sign in the recent loan by one air line to another of key navigational training personnel. However, the figures released by Canada's largest air line shows that the total number of employees has been steadily rising, and a comparison of the years 1946 and 1948 indicates that the number of revenue miles per employee is decreasing. It may be said that the increased number of employees is due to the air line re-equipping with larger aircraft, but the U.S. lines have also been re-equipping with even larger aircraft, and the trend there is the other way - towards retrenchment. In 1946, according to the U.S Chamber of Commerce, U.S.lines employed 96,554 persons, whereas in 1948 the figure had dropped to 82,796. A comparison of miles flown in 1948 per employee for the U.S.,Great Britain and Canada is as follows:

U.S.AIR LINES (Figures quoted by "The Aeroplane" 15-4-49	BRITISH AIRWAYS CORPORATION	CANADIAN AIR LINES (TCA "Facts and Figures)
One employee Per:		
5,275 miles	1,633 miles	2,950 miles

On the face of it, it appears that we might on this occasion learn something from the experience of the United States, in that a serious and apparently successful effort is being made there to introduce economy of operation. In any case, the figures lend support to the suggestion that our airlines examine the possibility of merging or consolidating facilities which are now duplicated.

We are told that a certain amount of business is lost to our commercial airlines through the operations of the R.C.A.F. Transport Service. How great is this loss we have been unable to ascertain, but we believe that cargo and passengers are transported in air force aircraft which should rightly be handled by the air lines. These operations of the R.C.A.F.Transport Command may be entirely necessary to National defence, (although the army does not operate a transcontinental railway, nor the Navy its own merchant service) but if so, we are of the opinion that the air lines should be compensated for the revenue lost in this way. Otherwise, the commercial air lines may be said to be forced to bear part of the cost of air force training.

We hope that adequate funds may be forthcoming to enable the Department of Transport to provide adequate

and up-to-date airway and air force facilities. We understand that at some airports instrument landing systems will have to be located to serve runways which are not the most desirable from the point of view of safety, simply because of the cost of filling in a depression or removing a mound. As the people charged with the responsibility of maintaining the safety of those who travel by air, we feel that only the very best of facilities in the proper location should be provided, with cost a very minor consideration.

Respectfully submitted,

On behalf of the

Canadian Air Line Pilots Association.

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~~A. R. EDDIE, called~~

THE WITNESS: Mr. Chairman and gentlemen, I think I would rather go throughthis brief if it is satisfactory toyou, Mr. Chairman, rather than read it word for word, seeing you have it before you, and just pick out the points where we would like to enlarge on it. As Mr. Smith said, this brief is presented to the Commission in an endeavor to be helpful as far as we can.

We believe that the airman has a special place in this matter, and that he may see the picture from a different angle from other people. When we are flying over a farm, for instance, we may not know how many bushels to the acre the farmer gets from a particular field, but we can tell by looking at it if a

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man is building a home there or mining land. We see air transport in very much the same way. We may not have particular specialized knowledge on one or two matters which are technical, but we know how transportation should be run.

I think it goes without saying that a strong and efficient transportation industry is essential to any nation. The development of our own north proves that. If it had not been for air transportation, otherwise inaccessible ares of the north would not have reached the stage of development they have today; and with regard to aviation also, the transport picture is essential to the survival of the nation. It is well known, had air transport not been successful in the case of Berlin there would probably be now no western union. The Soviet would probably have taken over all Europe by now.

In considering air transport we have taken the liberty of dividing it into two parts - the supply of the equipment which is flown by the airlines and the actual operation of the airlines themselves. The reason we introduced the equipment is that it is part and parcel of government policy; it has to be nowadays. As all other countries have discovered, the designing and research work that goes into developing aircraft, especially large transport types is getting beyond the scope of private industry. Governments have to take a hand.

There are so many "ifs" in designing an aircraft that you are not sure when you build it that

there won't be so many bugs in it that by the time you have them all ironed out, possibly you will never make a sale of it. Yet, at the same time, we must have a strong and healthy industry. Otherwise, in case of need, we will just have to try to get equipment from other people.

We have seen in the late war how difficult that can be, especially when the equipment has to be imported. Therefore, we think there should be a strong and healthy aircraft manufacturing industry in Canada; and in order to keep that industry going, we believe that the government should,in some way, help financially. Only government can possibly afford to develop aircraft We believe that only private enterprise can provide value for money.

I would like to have it well understood there, of course, that we are not suggesting that any Crown corporation be abolished, or anything like that. We do not believe any nationalizing can provide the money that private enterprise can.

I think a very good example of that was France, which had an entirely nationalized industry, but if folded up in 1940 very quickly. On the other hand, Great Britain had a privately run industry which stood up toenemy attack.

A good illustration, although it is a military one, it is in the line of aircraft to show that private industry actually can deliver the goods in that way, is the fact that two aircraft which are credited with saving Great Britain in 1940 were the

Hawker Hurricane and the Super Marine Spitfire which were both the result, or had grown out of a development by private industry.

The Hawker Hurricane was developed from the Hawker P.V. 34 which, as the initials indicate, was a private venture built by Hawker just to present to the Air Force. The Air Force never asked for it and never knew that such a thing existed.

The Spitfire was a development of the Snyder trophy racers which had been developed at private cost by Lady Houston, who donated £1,000 for the purpose.

The Rolls Royce engine which powered all three of the Snyder trophy winners was developed also with funds donated by Lady Houston. I might say that the Rolls Royce engine eventually became the Merlin, which was one of the outstanding engines in the last war.

I think it is quite clear that even in these days private industry could hardly afford the cost; and nowadays the cost has been multiplied so much that there is no question about it at all.

Our concrete suggestion on government policy in that regard is to allow different firms in the industry to compete one with the other and take the best designs available for each type that you require, and give the successful firms contracts at a fair price for the design, instead of giving them contracts for the whole issue that youwish and possibly spreading the contract around amongst other firms but in order that the successful firm which has the

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successful design will get some returns for its success by means of a royalty to that firm for the privilege of buildings its aircraft. In that way you give one firm a reward for being good, and you give the others anincentive to work, so that they will have a successful product possibly the next time, and at the same time, you keep them in business, with the possibility that they will be there to compete the next time.

In order to retain fair competition, also, we suggest that competitions of that kind be not confined to Canada alone, and that we take advantage if possible, of the products of other countries and allow foreign manufacturers to compete, in so far as submitting designs is concerned.

Due to the desirability which, in our opinion, exists of having aircraft built in Canada, we would suggest that successful designs be bought, either at an outright price or on a licence royalty basis, and manufactured in Canada. We also would like to suggest that Zonal standardization, or standardization of all our mechanical equipment with North America is undoubtedly a good thing, but we would like to suggest that we be not carried away by that so that we are tied inevitably only to used products which are designed and built in North America.

No one section of the world can claim to have a monopoly of engineering genius or brains, and no country in the world can be sure that five or ten years hence it will have the leadership in the design of aircraft.

We do not say that any one country has now, or has not. But we say: Let us not get tied down too closely to one section of the world, in case we need to use the other sections.

As far as operations go, we believe that, after safety , which is, of course, the one thing we must strive for above all else, we would like to see the air line serve as many people as possible.

What we are driving at in this brief is that we would like to see airline flying made so efficient that the prices, tickets, tariffs, can be brought down to where they are within reach of as many people as possible. What this country needs, as Mr. Rickenbacker said, is a good three cent airline, not a higher priced airline, but an airline which everybody can use, not just the top notchers in the field of business but everybody in Canada. Then it will be truly national. Without that you will never have actual value for the money which the government will have to put into flying in all its phases.

Frequency of service is the essence of transportation, as I think all our transportation friends will agree. In flying it is more particularly so because if you run too few flights daily you restrict the number of people who can fly, and you possibly restrict the number of people who wish to fly. A good illustration of that is the case of the airline between New York and Washington. In the dim and distant past of air transport, more years ago than I care to remember, people who had money to invest in the United States cast around for places to start airlines, and naturally New York and Washington looked very logical because there is a lot of high priced help flitting around there who are always in a hurry. They can afford the extra cost and so on.

One after another airline started up flying one and two flights a day between New York and Washington. One after another they went broke. No one would fly because if they missed the aircraft they naturally hopped on the nearest train. It is no use waiting twenty-four

hours. After these people went broke a gentleman named Ludington came along and he bought quite a few Stimson trimotors and he advertised a service between New York and Washington each way every hour on the hour. People flocked to that service. Very soon he was running three sections every hour on the hour,at least during business hours. That is a good illustration. He went ahead until finally Eastern Airlines, I believe it was, bought him out and made him a vice president.

It becomes quite evident then that air transport, even more than other transport, is subject to that business of frequency of service. We believe that the present system of route licensing needs examination in that it may give certain airlines what really amounts to a monopoly, at least in the airline business between two points. They are, of course, subject to competition from the ground, and that may or may not be evident. It may or may not bother them.

We believe that rather than having one carrier serve a given area that that area should be examined to see if more than one carrier may not serve that area. To that end we rather lean to the idea of having one carrier handle a transcontinental trunk route with large fast aircraft, long hops, and another carrier, a different firm altogether, carrying short haul traffic in the same general area. That may be a feeder line across the trunk line or it may be a parallel feeder. The trunk route might serve cities A and B, and the parallel feeder might serve cities A and B and also points 3, 4, 5 and 6 in between.

That is somewhat of a departure from present government policy in the awarding of route licenses, and that is the recommendation that we make, that the competition as between airlines be increased slightly. We know that the present system of route licensing was evolved to protect the public against the consequences of cutthroat competition of which we saw plenty some years ago. We know that it is doing that, butwe are afraid that they may go too much the other way and reduce competition to the point where there is not enough incentive.

We believe that the airlines could examine the possibility of merging those facilities which are necessary to their operations, but which are susceptible of joint operation, without endangering safety or giving rise to operational disputes. In other words, we do not think much of the idea of interchange of equipment between railways, but we do think that the airlines might cut down their overhead by using joint staffs at terminals in very much the same way as the railways use union stations. I think anything that we can do to cut down the cost of flying is all to the good because more people will be able to fly, and the air transport industry will be that much more prosperous, and to have the air transport industry prosperous is in the public interest. I think we have gone into that already.

The paragraph on page 7, of course, is washed out. The reason for the next paragraph is that it appears that we may learn something from the experience of the United States. I understand that in the United States they have been cutting their costs. They seem to be headed for a

profitable year in 1949. They have not increased tariffs. It is not really that they are flying more passenger miles, although they are flying a few more. The peculiar thing is - and it is what has really stumped the experts who predicted calamity again this year for them - is that they have been cutting their operating costs. I think that is a good direction in which any company might work as a matter of principle.

We are told that a certain amount of business is lost to the commercial airlines through the operation of the R.C.A.F. transport service. We do not know how great the loss is, and we do not know what the figures are. We do not know how much the air force is carrying, but we do know there is a certain amount of loss. There is one specific case we had the other day in Quebec City where nine people had bought tickets on an air line. They were almost on board; the aircraft was getting ready to depart when an air force machine came in. It turned out that the nine people had been working for some obscure government department, nothing to do with the air force. They immediately went over and spoke to the pilot, went back and cashed in their tickets, and climbed in the air force aircraft and buzzed off to Montreal, thus taking those nine passengers away from the air line.

Page 705 follows.

HH

We feel that the air line was entitled to those passengers in that way; and that the air force was cutting into their business. We believe that the air lines are entitled to compensation for that sort of thing if it is going to happen. We assume that the air transport line must fly to keep in practice, but if it is going to take business away which legitimately belongs to the air lines then we feel that the air lines should be compensated for it. Otherwise, you can say that the air lines are paying, in part, for air force training, which is an anomaly.

In regard to the Department of Transport, we like the Department of Transport, but we are afraid that maybe they have not enough money to provide the service which should be provided. I do not know; I have not asked them about it; but we do know that on one or two occasions we have wanted an I.L.A. installation placed on a certain runway because that is therunway which is almost invariably in use during the worst weather, at times when you need such a system. But we were told that it could not be put there because it would cost too much to remove a mountain or a hill. Consequently it has had to be put on another runway. So, for a saving of a few thousand dollars, we are eternally landing on another runway. That is not a concrete suggestion, but it is a suggestion.

COMMISSIONER ANGUS: Q. Do you think that the air lines should be subsidized?

A. All I can say, sir, is that it seems to me that the experience of other countries has been that

subsidies are not always the answer; but there are subsidies of some kind.

Q. But from the standpoint of the railways, do you think the government should subsidize the air lines?

A. That would be a problem for government. The only transportation system that I speak for is the air lines; and I think if the air line has to be subsidized by the government, regardless of who else suffers, or who is compensated, I think it is necessary, because air transportation is absolutely essential for our welfare and survival.

COMMISSIONER ANGUS: Thank you. Are there any questions? If there are no questions, I thank you very much.

And I want to thank those who participated in these hearings and for the help they have given us. They have been of great benefit to the Commission. And I would thank particularly the Government of Manitoba for the arrangements made for our comfort while we have been here and for the convenience of the hearings.

(At 6:15 p.m. the Commission adjourned to meet again on Tuesday, June 7, at Regina, Sask.)

A.R.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUN -7 1949

VOLUME

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Please make the following changes in Volume 5,
June 7th, 1949.

Page	Line	Change
819	5th from last	"with the" should read "of a"
820	12	"Commission" should read "Commissioners"
	15	" " " "
	18	"depressive" should read "oppressive"

Volume 2, June 1

Page	Line	Change
71	4th from last	Change "completed" to "completely"

Please make the following changes in Transcript of Evidence:

Vol.	Page	Line	Change
5	844	22	Delete "A fixed" and substitute "an agreed" and delete "10 cents"
	845	24	Insert "increases in" after "had asked for".
	855	14	"Given" should be "giving".
6	935	6th from last	Change "business" to "place"
	991	Last	Delete "given" and substitute "raised".
	992	16	After "maps" insert "(Exhibit 9)"
	993	1	After "map" insert "(Exhibit 9)"
		23	"Arbitrary" should be "arbitraries"
	995	10	Delete "are" and substitute" is the"
		11	"Miles" should be "mileage"
			After "mileage" insert "taken"
			"Canadian National miles" should be "Canadian National mileage"
		18	"Basic" should be "basing"
		26	"Basic" should be "basing"
	1008	18	4th word from end of line should be "dollarwise".
	1079	19	"MR. O'Donnell: Let the witness answer." should immediately follow Mr.Frawley's question ending, "...and then to St.Paul or Chicago?" and before "THE CHAIRMAN: Is the complaint..etc."
7	1201	2	After "export" insert "and east to Fort William".
	1253	13	Insert "A" at beginning of line before "that could happen..." to indicate "Answer."
8	1390	2nd from last	Insert "disparity" between "was" and "and".
	1391	4	"disability" should be "disparity
	1397	6	"measure" should be "motion"
9	1592	3rd from last	"A. (No answer)" should be "Yes".

ROYAL COMMISSION ON TRANSPORTATION

REGINA, SASKATCHEWAN,
Tuesday, June 7th, 1949.

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ROYAL COMMISSION ON TRANSPORTATION

REGINA, SASKATCHEWAN
Tuesday, June 7th, 1949.

HON. W. F. A. TURGEON, K.C., LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

- - - - -

ADDITIONAL APPEARANCES:

E. F. Whitmore	Counsel for Regina Chamber of Commerce; Saskatoon Board of Trade; and Saskatchewan Associated Boards of Trade.
W. W. Lynd, K.C.	Counsel for Saskatchewan Coal Mine Operators.

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MR. COVERT: Mr. Chairman and Commissioners, the first item on the agenda is an introductory statement on behalf of the Saskatchewan Government. Mr. MacPherson, I think, will introduce Mr. McIntosh.

MR. MacPHERSON: Mr. Chairman, the introductory statement will be made on behalf of the Government of the Province by the Honourable L. F. McIntosh.

THE HON. L. F. McINTOSH: Mr. Chairman and members of the Royal Commission on Transportation, may I first, on behalf of His Majesty's Government in Saskatchewan, bid you a very hearty welcome to this province. I bid you welcome not only on behalf of the Government, but on behalf of all the people of the province. We are indeed glad to see you. To you, Mr. Chairman, I might say that it seems like welcoming you back home for a visit, since your long and distinguished service to this province is well -known to everyone. Incidentally, sir, I believe that at one time you represented the City of Prince Albert in the Legislative Assembly, a constituency which I now have the honour to represent. I wish also to welcome your distinguished colleagues, one from the East and one from the West, and I hope that the three or four days that they spend in the capital city of the province will be pleasant ones.

Mr. Chairman, we in Saskatchewan always like to have visitors and no one could be more welcome than you and your colleagues, but I wish to say that your errand makes you doubly welcome. Few matters have agitated the people of this province more than the burden of freight rates. We feel that there is now a very good

possibility that the real significance of the burden of freight rates on producers and consumers in this province will be determined and that something will be done in the difection of alleviation, while, at the same time, the national life of Canada will be strengthened.

My primary purpose in addressing the Royal Commission is to extend a welcome. I am certainly not a witness. Several witnesses will appear at this hearing and I hope that a fair cross-section of opinion will be expressed in the course of the next two or three days. The witnesses who will appear will give their own independent opinions and no doubt certain factual meterial will be presented. The official position of the government of the province will be presented on a later occasion. An outline of the position of the province has already been filed and this will be supplemnted by a written brief in the course of the next six weeks or so. This written brief will be further supplemented by the material of witnesses and by argument.

Mr. Chairman, one of our handicaps in this inquiry is that we lack information in several significant particulars such as comparative costs in the various regions. We are also largely in the dark regarding the mysteries of competitive rates. We have already requested that the facts be found authoritatively by this Commission and I wish now to renew this request personally. I hope that these studies may be made, and made in good time.

Finding the facts is an important matter. In the opinion of the Government of this province, however, there is something more important and that is that the position of Saskatchewan in the nation should be realized.

Now I am not appearing as a witness but in welcoming the Commission to the province I think I should call attention to certain historical considerations. We as a province come on the scene relatively late in the life of the nation. We represent one of the last frontiers. We were not an entity expressing opinions in 1867. We were created at a time when national policies had been fixed and those national policies have often run counter to our economic interests.

Thus, the burden of freight rates bears more heavily upon the Saskatchewan economy than upon any other part of Canada. We recognize that geographical location and narrow specialization of resources have contributed to thisfact. National policies relating to railways and fiscal measures have, however, greatly intensified the burdens arising from these circumstances. The regional variability of road and water competition also plays a significant part.

The mid-continental location of our province requires little elaboration. Our producers and consumers are farther from the markets in which they sell and buy than are the producers and consumers of any other province. Furthermore, the hundreds of additional miles which lie between the Saskatchewan economy and its markets can be bridged only by rail transportation. The competition of ocean and lake carriers offsets to some extent the locational disadvantages of other parts of Canada, but it will be argued that this is of little benefit to Saskatchewan.

Saskatchewan's natural resources are such as to

render any appreciable measure of provincial economic self-sufficiency impossible under present conditions. Adequate transportation facilities at reasonable rates are, therefore, not merely the condition of a greater or lesser degree of prosperity but are necessary for the survival of the provincial economy.

Saskatchewan has a considerable variety of natural resources including those basic to agriculture, mining, forest production and fisheries. Like most other communities, however, our province is lacking in certain important resources which contribute to economic diversification. It may be stated with some definiteness that the payment of high freight charges has impeded diversification and in the meantime, for several decades, the grain lands of the province have become less and less productive. In providing a basis for labour productivity, under present conditions, the agricultural resources of the province possess an overwhelming advantage over all or any of the other resources, and, among the various agricultural possibilities which exist, the climate, soil and topography of our province compel a high degree of specialization in the production of wheat, with lesser attention to livestock and dairy products. Agricultural products represent approximately three-quarters of the net value of production in Saskatchewan. Manufacturing, which accounts for approximately ten per cent of net provincial production, is chiefly concerned with the processing of agricultural products such as wheat, livestockand dairy products. A

substantial part of our manufactures must therefore seek distant markets along with the much greater bulk of agricultural raw materials.

The specialization of the Saskatchewan economy which creates large surpluses of agricultural products creates a corresponding inadequacy of the capital equipment an and consumers' goods required in our province. These goods must be secured from distant producing centers and imported into our province, again with inescapable reliance upon railway or pipe line transportation services. The capital equipment required by the prairie wheat economy is bulky and cumbersome. Freight rates represent at best a heavy addition to its factory cost and a significant element in the farmer's costs of production.

Narrow specialization of resources and mid-continental location have therefore imposed severe and unavoidable handicaps upon the Saskatchewan economy. These natural handicaps have been intensified by railway and fiscal policies. The location and multiplication of Canadian railway mileage was determined with regard to the creation of a Canadian economic and political unit rather than by considerations of economical construction, maintenance or operation. Canadian fiscal policy, again with the national interest in view, has to a large extent created an artificial and costly location for the sources of the merchandise which residents of Saskatchewan must import.

The Canadian nation, established only in name by Confederati n, required a Pacific railway to link its scattered parts. The West had to be linked to the

St. Lawrence. The Red River colony already had trade relations well established with the American middle west. American railway lines were moving closer to the western Canadian border. Only the national interest can justify the construction of the Pacific railway through the barren regions north of Lake Superior and the rejection of proposals that American railways to the south of the Great Lakes be utilized to bridge this major gap. The east-west railways through the Canadian Shield remain to this day a costly traffic bridge rather than a self-supporting segment of the railway system. The contribution of these railway links in terms of national interest is incalculable. They have also added incalculably but certainly to the costs of railway services for the Canadian economy as a while and especially for the prairie provinces.

Canadian tariff policy has pursued the dual national purposes of fostering Canadian industry and of creating traffic for Canadian railways. To the extent that these purposes have been achieved the residents of the prairie economy have borne a double portion of the cost involved. First, they have been denied access to many of the efficient mass-producing centers of American production for the purchase of their requirements. Second, they have had to pay transportation charges on their purchases for the longer distances from Canadian production centers.

The burdens of the Canadian transportation structure, which have been enhanced by national policies, are not apportioned equally among Canadian geographic

regions. Railway rates are higher in western Canada than they are in the central provinces. This discrepancy exists in the general rate structure, in competitive rates and in the distinction between town tariffs as granted in the east and distributing tariffs in the west. The intensiveness of water and truck competition in the central provinces has been advanced as an adequate reason for the lower rail rates in the central area. The competition of ocean carriers has been held to justify low rates to the Pacific coast. In the interest of maintaining railway earnings, the rates in the prairie provinces are kept unduly high and are not restrained by any adequate measure of water or truck competition.

The Board of Railway Commissioners in the early 1920's dealt with requests for equalization and refused to remove completely the discrepancies between eastern and western rates on the ground that costs as well as competition accounted for the differences. The determination of regional differences in costs is an extremely complex matter and shold be the subject of special investigation by the Commission. The Province will submit that since 1920, (sic) the date of the latest thorough investigation of relative rate levels east and west, the conditions under which traffic is handled have so changed that many cost disabilities which may have existed in the west have ceased to exist or have been reduced to minor proportions.

Mr. Chairman and members of the Commission, I have referred to several factors which are a matter of history, and it will be argued at the proper time

that these factors are relevant to the present investigation.

Evidence will also be adduced showing the actual burden of freight rates on the people of this province, both as producers and consumers. It will be argued that this burden is one that the people of the province ought not to bear; that it is too high a price to pay as the result of national policy and that it is not fair. It will be argued that the present situation is not only unfair to the people of this region but that it is against the national interest.

My remarks have largely referred to railway freight rates and in truth the great transportation burden in this province in the past has resulted from the payment of high freight rates to the railways. It must not be forgotten, however, that this is a Royal Commission on Transportation. There are many forms of transportation and there are services to be considered as well as rates. The Government of this province was very gratified that the Commission was appointed and is well pleased with the personnel. We hope and expect that a searching inquiry will be made into the whole field of transportation from a national point of view. We hope that a greater measure of co-ordination among services will result, including greater co-operation between the two great railway systems. We believe that a lightening of the burden of the people of this province will undoubtedly result.

Again, Mr.Chairman and Commissioners, I want to say how glad I am to have you here and to have this inquiry conducted. I am not appearing as a witness but

I did wish to extend greetings on behalf of the people of the province and to indicate that the problem of freight rates is regarded by us as a very serious one. I thank you very much, and I trust that your deliberations here will be most interesting and profitable.

THE CHAIRMAN: Thank you, Mr. McIntosh.

MR. MacPHERSON: Mr. Chairman, I think at the bottom of page 5 there is a typographical error. Where it says, "The Province will submit that since 1920", that should read "1926".

MR. O'DONNELL: 1927, isn't it?

MR. MacPHERSON: 1926-27, yes; concluded in 1927.

MR. COVERT: Mr. Chairman, I thought this might be an opportunity to ask Mr. MacPherson, since the outline brief which the Province sent in is referred to at the bottom of page 1 and on page 2 of the address of the Honourable Mr. McIntosh, if it would be well at this point, in order to complete the record, to take the outline brief as read into the evidence.

THE CHAIRMAN: That is, the first brief, you mean?

MR. COVERTL Yes.

MR. MacPHERSON: Well, that would be quite satisfactory. As a matter of fact, I regarded the outline of brief as filed more or less as perhaps the pleadings, and if that is the desire it is quite satisfactory that it be read into the record now.

THE CHAIRMAN: Very well.

(Here follows the brief):

(Hero follows the [illegible]):

OUTLINE
OF REPRESENTATIONS MADE
BY THE
GOVERNMENT OF THE PROVINCE OF SASKATCHEWAN
TO THE
ROYAL COMMISSION ON TRANSPORTATION

The Government of Saskatchewan begs to outline in general terms the position it will take in appearing before the Commission. This is in no sense a detailed brief of argument but merely an outline in general terms. A fuller written submission will be filed at an early date, and it will be supported by evidence and by oral argument.

A study of the terms of reference as embodied in P.C. 6033 would seem to indicate that the burden of railway freight rates will be the chief matter inquired into by the Commission. It should be observed, however, that the term "transportation services" is broad enough to embrace all forms of transportation, by air, land or water, not excluding pipe lines. Further, the term is not restricted to transportation of goods but would certainly extend to passenger traffic. Nor is the term restricted to rates or tolls but would extend to the quality and extent of services and the conditions under which the rendering of such services should be permitted.

For the province of Saskatchewan the greatest economic burden related to the supplying of transportation services is found in high railway freight rates. Accordingly the matter of railway freight rates will be emphasized in this outline and in subsequent repre-

sentations. There will be an effort, however, to keep the whole field of transportation services in mind since no one type of such service can be completely isolated in the economic life of the community. Accordingly, other forms of transportation will be dealt with in this and in later submissions. And arguments made with reference to railways may be applied by analogy to other forms of transportation.

It will be specifically alleged in this submission that the present freight rate structure in this province is unjustifiably high, both in relative and absolute terms. It will also be argued that on the basis of logic, fairness and the welfare of the nation this burden should be reduced even though the use of national funds might be involved in effecting such reduction.

In making representations to the Commission the Government labours under the handicap that detailed statistical material is not available for examination and study. Consequently in the following sections of this outline it will be respectfully suggested that the Commission should undertake the responsibility of having proper investigations made into certain specific matters. We are of the opinion that this is the only method by which reasonably exact information may be obtained.

P.C. 6033 - 2(a)

The burden of freight rates bears more heavily upon the Saskatchewan economy than upon any other part of Canada. Geographical location and narrow specialization of resources are basic contributors to this fact. National policies relating to railways and fiscal measures have, however, greatly intensified the burdens arising from these

circumstances. The regional variability of road and water competition also plays a significant part. The implications of these factors will be briefly outlined.

The mid-continental location of the Province requires little comment. Producers and consumers in Saskatchewan are farther from the markets in which they sell and buy than are the producers and consumers of any other province. Furthermore, the hundreds of additional miles which lie between the Saskatchewan economy and its markets can be bridged only by rail transportation. The competition of ocean and lake carriers which offsets to some extent the locational disadvantages of other parts of Canada is of little relative benefit to Saskatchewan.

Saskatchewan's natural resources are such as to render any appreciable measure of provincial economic self-sufficiency impossible under present conditions. Adequate transportation facilities at reasonable rates are, therefore, not merely the condition of a greater or lesser degree of prosperity but are necessary for the survival of the provincial economy.

Saskatchewan has a considerable variety of natural resources including those basic to agriculture, mining, forest production and fisheries. Like most other communities, however, the province is lacking in certain important resources which contribute to economic diversification. It may be stated with some definiteness that the payment of high freight charges has impeded diversification and in the meantime, for several decades, the grain lands of the province have become less and less productive. In providing a basis for labour productivity, under present

conditions, the agricultural resources of the province possess an overwhelming advantage over all or any of the other resources, and, among the various agricultural possibilities which exist, the climate, soil and topography of the province compel a high degree of specialization in the production of wheat, with lesser attention to livestock and dairy products. Agricultural products represent approximately three-quarters of the net value of production in Saskatchewan. Manufacturing, which accounts for approximately ten per cent of net provincial production, is chiefly concerned with the processing of agricultural products such as wheat, livestock and dairy products. A substantial part of Saskatchewan's manufactures must therefore seek distant markets along with the much greater bulk of agricultural raw materials.

The specialization of the Saskatchewan economy which creates large surpluses of agricultural products creates a corresponding inadequacy of the capital equipment and consumers' goods required in the province. These goods must be secured from distant producing centers and imported into the province, again with inescapable reliance upon railway or pipe line transportation services. The capital equipment required by the prairie wheat economy is bulky and cumbersome. Freight rates represent at best a heavy addition to its factory cost and a significant element in the farmer's costs of production.

Narrow specialization of resources and mid-continental location have therefore imposed severe and unavoidable handicaps upon the Saskatchewan economy. These natural handicaps have been intensified by railway and fiscal

policies. The location and multiplication of Canadian railway mileage was determined with regard to the creation of a Canadian economic and political unit rather than by considerations of economical construction, maintenance or operation. Canadian fiscal policy, again with the national interest in view, has to a large extent created an artificial and costly location for the sources of the merchandise which residents of Saskatchewan must import.

The Canadian nation, established only in name by Confederation, required a Pacific railway to link its scattered parts. The West had to be linked to the St.Lawrence. The Red River colony already had trade relations well established with the American middle west. American railway lines were moving closer to the western Canadian border. Only the national interest can justify the construction of the Pacific railway through the barren regions north of Lake Superior and the rejection of proposals that American railways to the south of the Great Lakes be utilized to bridge this major gap. The east-west railways through the Canadian Shield remain to this day a costly traffic bridge rather than a self-supporting segment of the railway system. The contribution of these railway links in terms of national interest is incalculable. They have also added incalculably but certainly to the costs of railway services for the Canadian economy as a whole and especially for the prairie provinces.

Canadian tariff policy has pursued the dual national purposes of fostering Canadian industry and of creating traffic for Canadian railways. To the extent that these purposes have been achieved the residents of the

prairie economy have borne a double portion of the cost involved. First, they have been denied access to many of the efficient mass-producing centers of American production for the purchase of their requirements. Second, they have had to pay transportation charges on their purchases for the longer distances from Canadian production centers.

The burdens of the Canadian transportation structure, which have been enhanced by national policies, are not apportioned equally among Canadian geographic regions. Railway rates are higher in western Canada than they are in the central provinces. This discrepancy exists in the general rate structure, in competitive rates and in the distinction between town tarriffs as granted in the east and distributing tariffs in the west. The intensiveness of water and truck competition in the central provinces has been advanced as an adequate reason for the lower rail rates in the central area. The competition of ocean carriers has been held to justify low rates to the Pacific coast. In the interest of maintaining railway earnings, the rates in the prairie provinces are kept unduly high and are not restrained by any adequate measure of water or truck competition.

The Board of Railway Commissioners in the early 1920's dealt with requests for equalization and refused to remove completely the discrepancies between eastern and western rates on the ground that costs as well as competition accounted for the differences. The determination of regional differences in costs is an extremely complex matter and should be the subject of special investigation by the Commission. The Province submits that since 1920, the date of the latest thorough investigation of relative rate levels east and west, the conditions under which traffic is handled have so changed that many cost disabilities which may have existed in the west have ceased to exist or have been reduced to minor proportions.

The Government of Saskatchewan submits that the burdens resulting from policies which were instituted and maintained in the professed national interest should be

shared equitably by the various sections of the Canadian economy.

The province further urges (1) that a careful study be directed by the Commission regarding the differential between the actual rates in the prairie region and other regions; (2) that a careful study be made of the costs-revenue ratio in the prairie region and the other regions; (3) that rates in this province and region be drastically reduced not only on the merit of the arguments suggested above, but also as a protection against disaster to the province in the future -- a disaster which would threaten national unity.

P.C. 6033 - 2 (b)

In the opinion of the Government of Saskatchewan the matter of competitive rates will, and should, assume a very considerable importance in this investigation. Undoubtedly competitive water or truck rates are in part responsible for the very high railway freight rates presently in effect in this province.

Unfortunately, sufficient information is not available on which to base definite recommendations to the Commission. We desire, however, to suggest that certain studies be undertaken by the Commission. The reasons for making these suggestions will be stated briefly.

Railway officials appear to assume that low competitive rates are justified if the railway does not operate at a loss when carrying goods under these tolls. In fact, however, no evidence is available that they do not operate at a loss or even that out-of-pocket expenses are met. It is submitted that there is no justification for making one part of Canada pay for the carriage of goods at a loss in other parts. The competitive rate structure should,

therefore, be scrutinized closely and if it is not clearly established that the railway (or other transportation agency) secures some return above operating costs, including maintenance and depreciation, then one or the other of the following results should follow: (1)The rate should be disalloed and the competing agency allowed to carry the goods; or (2) If the service that is thus conducted at a loss is considered to be socially desirable it should be paid for by public funds rather than by maintaining higher rates in other areas.

Information likewise is not available with reference to the proper level of certain competitive rates. It is strongly suspected that in some instances the railway rate is lower than would be necessary to meet the competition of the other agency. It is believed that a careful study should be made of this question.

In consideration of the above it is urged that the Commission should secure a searching investigation of the whole matter of competitive rates designed to determine (1) whether, in some cases the railways, and perhaps other agencies are not doing business at a loss; (2) whether some competitive rates are not unnecessarily low; (3) whether, in the light of the information obtained, control should not be extended over rates and services of competing agencies either by the Board of Transport Commissioners or by some other body.

P. C. 6033 - 2(c)

It is a matter of gratification to the government of Saskatchewan that the matter of the capital structure of the Canadian National Railways has been referred to the Royal Commission on Transportation. It is realized that this system was not designed as an integrated whole

but that the various parts were acquired piece-meal. It is also realized that the system acquired several unprofitable railway ventures.

It is submitted that the capital structure or the accounts of the system, or both, should be investigated with the object of providing the management with an accurate basis for their decisions and with the design of accomplishing two objects (1) giving the public a true picture of the operations of the system in comparison with other systems (2) giving the public a true internal picture of the system.

As to the first suggestion it is reasonably obvious that the capitalization of the Canadian National Railways is far higher than the actual value of the system as an operating unit warrants. This means that the annual carrying charges against the system are also too high and the reported deficits give the public a false impression regarding operating efficiency. The second suggestion made above envisages the possibility that some large portions of the system may be operating at a loss. If this is so it means that profits earned in other areas are in effect being used bo subsidize the unprofitable portions of the system. Under such conditions it will be submitted that the subsidy should in justi œ be paid from public funds.

P.C. 6033 - 2(d)

The matters dealt with in this paragraph are primarily accounting problems. It is submitted that such measures should be prescribed as to ensure that the true financial position of the railways will appear in railway statements.

In determining financial need as a condition precedent to ordering changes in freight rate levels it is essential that accounting methods designed to reflect accurately the position of railway companies be instituted. It is therefore submitted that accounting procedures adopted by Canadian railways for rate making purposes be prescribed by the Board of Transport Commissioners and their application and interpretation be clearly defined. It is essential to avoid charging out of current earnings, through uncontrolled accounting methods, items which should properly be charged to capital, or charges of an unusual nature, in years in which rate levels are set or adjusted.

It is further submitted that such measures should apply to non-railway revenue. The government of Saskatchewan would further submit most emphatically that non-railway assets, purchased from railway earnings, directly or indirectly, must be considered as a reserve of the railway itself.

P.C. 6033 - 2(e)

The Government submits that the railways should co-operate according to the terms of the Canadian National-Canadian Pacific Act, 1933, when service to the public is not impaired thereby.

The government is not in a position to say what extent the railways have followed or ignored the directions in the legislation referred to above. The Commission will be in a position to make a determination regarding the nature and extent of co-operation during the past fifteen years. The Government would repeat that the terms of the Act of 1933 should be observed so long as service to the public is not impaired.

Further, it should be stated that while unification does not appear to be an issue in the present investigation it may very well be an issue in the future. The spectacle of the great railway systems asking for higher freight rates and at the same time engaging in wasteful and inefficient operations will not be lost on the people of Canada who pay the piper. Public utilities should not be permitted to behave in this manner and if the railways continue to do so the people will be likely to demand unification in a complete form. In this connection a study of the possible contribution which public ownership of all railways could make to the solution of Canadian transportation problem, might well be undertaken.

P. C. 6033 - 2 (f)

With reference to the possible revision of existing railway legislation the suggestions of the government will be of a general nature. These suggestions will also be made in anticipation of a fundamental change in the approach to rate-making being arrived at as a result of the present investigation.

The Government of Saskatchewan does not wish to be unduly critical of the freight rate structure in Canada or of the method by which it was reached. Experiment and patch-work have very likely been inevitable. Neverthe-

less it is submitted that the structure as it exists is one that developed without any fundamental base being adopted and that in effect in different parts of the country there are different bases for freight rates which have gradually been established throughout the years.

The points raised in earlier parts of this outline indicate that the evolution of the freight rate structure has resulted in definite unfairness to the prairie region. It is submitted generally that this should be corrected and that a fundamental basis should be arrived at which should be incorporated in the railway legislation by way of general directions to the Board.

More specifically it is submitted that the railway legislation should be revised to effect the following objects (1) to enable the Board to consider economic, geographic, and other disadvantageous factors in the fixing of rates; (2) to put the Board in a position so that on a general increase of rates being given, this need not be on the basis of a horizontal change which necessarily accentuates disparities already existing; (3) to give the Board a greater control over competitive rates; (4) generally to achieve greater flexibility, as for instance by permitting the Board to make changes where discrimination exists without finding undue discrimination.

It is submitted further that all the things hoped for cannot be achieved unless greater public support is given to the Board of Transport Commissioners. It is therefore specifically recommended that an ample appropriation of public funds shall be made to the Board to the end that a completely adequate and competent technical staff may be employed. In the opinion of the government this is a most important matter.

It is further recognized that from time to time development of natural resources and expansion of the areas of settlement will require the extension of existing railway facilities. An example of this is the partially undeveloped northern part of Saskatchewan. The essential nature of railways in developing new areas has been demonstrated in the past. It is specifically submitted however, that, in order to avoid, as far as possible, difficulties arising in the future, the Board of Transport Commissioners or some similar body be given jurisdiction over such extensions and the conditions under which they may be permitted.

SUMMARY

The submission of the government of Saskatchewan regarding railway rates may be summarized as follows: Freight rates bear more heavily upon the Saskatchewan economy than upon any other part of Canada. The natural disabilities of the province due to location and narrow specialization of resources have been intensified by policies of railway construction and tariffs which were entered into in the national interest. Higher freight rates in the West than in the East have been justified on the basis of differences in costs and competition between the two regions. Operating conditions have changed so markedly that cost disabilities which may have existed in the West thirty years ago no longer exist. It is not established that differences in the competitive conditions between the east and west justify the discrepancies introduced into the rate structure by the competitive rates which are granted by the railways in the east.

The Commission will be in a position to determine the relative positions of east and west in the matter

of rates, including competitive rates, costs of service and competitive conditions. The Province urges that the Commission undertake studies directed toward this end.

The Province submits that railway rates should be lowered in Saskatchewan and in the prairie region. This is essential in order that burdens resulting from policies which were instituted and maintained in the national interest should not bear inequitably upon the various regions of the Dominion. It is also essential in order to safeguard the economy of the prairie provinces in the interest of national unity.

The railways of Canada were conceived as national undertakings and should be so regarded today. If, therefore, as a result of the studies which it is proposed that the Commission should make, it is determined that the railways will be unable to give adequate and efficient service on the funds available after rates have been reduced in the prairie region and adjustments made in other regions, the government of Saskatchewan will submit that a national subsidy should be paid as a matter of compensation.

Above and beyond the question of freight rates the government of Saskatchewan will suggest to the Commission that its terms of reference are wide enough to enable it to study the factors affecting all transportation services.

Respectfully submitted on behalf of the Province of Saskatchewan.

L. F. McIntosh,

Minister, Department of Co-Operation and Co-operative Development, for the Government of Saskatchewan.

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RND

MR. EVANS: May I just offer this suggestion: if my friend Mr. Covert's suggestion is followed,I hope it won't be assumed that we would not have cross-examined on that outline submission had it been presented through a witness, and I would not want it left in the record as part of this submission without having at least said that I would desire at some time to cross-examine on it.

THE CHAIRMAN: Yes.

MR. MacPHERSON: Mr. Chairman, I would be disappointed if my friend did not want to cross-examine some time.

THE CHAIRMAN: Does that mean here at Regina?

MR. MacPHERSON: No. As I understand it, Mr. Chairman, what Mr. Covert has suggested is that at some time the outlines be filed as coming from the respective provinces and coming from the railways, because they have also filed briefs.

THE CHAIRMAN: Yes, but Mr. Evans refers to cross-examining somebody.

MR. EVANS: Well, sir, all that I meant to say was, . as to Mr. Covert's suggestion that this outline submission be put into the record as though it had been part of the submission made by Mr. McIntosh, that I did not want that to happen unless it was understood that I would at some time desire to cross-examine a witness on that submission. I would not want that submission to be taken as proved by Mr. McIntosh without an opportunity of cross-examination.

THE CHAIRMAN: That means, then, that Mr. MacPherson must undertake to produce somebody somewhere

some time to be cross-examined on this brief; is that right?

MR. MacPHERSON: I can assure my friend that that will be done, and he will have the opportunity of cross-examining at usual length.

MR. O'DONNELL: I might just make a short observation, Mr. Chairman, as I did in Winnipeg when the Premier read the brief there. There are, of course, some statements that we would want to challenge, and others with which we may be in agreement, or/which we may naturally be quite indifferent. In those circumstances I should like to have it on the record that we shall have some day to do what my friend Mr. Evans indicates he will do. I wondered, Mr. Chairman, if it might not be useful, however, if Mr. McIntosh would be so good as to provide the Commission with a copy of the budget speech of the Provincial Treasurer for the session of 1949, and also a copy of the Report of the Department of Agriculture. Both of those documents contain very enlightening information.

THE CHAIRMAN: The Report of the Department for this year?

MR. O'DONNELL: Yes, sir; there are many statistical records there that would be of use in demonstrating, I think, very clearly just how freight rates have affected the prosperity of the province, which, on my reading of the report, is in a very healthy condition at the present time.

MR. MacPHERSON: Mr. Chairman, the budget speech and the report of the Department of Agriculture -- that is, the last available report -- will be furnished my friend and filed if so desired.

MR. O'DONNELL: Would it be well for the purpose of the record to give the number at the present time, my lord, and then we could all forget about it?

MR. MacPHERSON: Well, my friend has them; he can file them. My friend has come prepared.

MR. O'DONNELL: I always try to do that. Then I would ask, Mr. Chairman, that the budget speech delivered by the Honourable C. M. Fines, Provincial Treasurer, in the Legislative Assembly, Saskatchewan, on the 2nd of March, 1949, be produced as Exhibit 6; and that the 43rd Annual Report of the Department of Agriculture of the Province of Saskatchewan for the twelve months ended March 31, 1948, be produced as Exhibit 7. I will endeavour to procure copies from my very obliging friend and file them in the record.

THE CHAIRMAN: All right.

EXHIBIT NO. 6 -- Budget speech delivered by the Hon. C. M. Fines, Provincial Treasurer, in the Legislative Assembly, Saskatchewan, on March 2,1949.

EXHIBIT NO. 7 -- 43rd Annual Report of the Department of Agriculture of the Province of Saskatchewan for the 12 months ended March 31, 1948.

MR. COVERT: The next item on the agenda is the submission by the Saskatchewan Dairy Association.

MR. MacPHERSON: Mr. Chairman, I call Mr. Turnbull.

J. S. TURNBULL, called

EXAMINED BY MR. MacPHERSON

Q. Mr. Turnbull, you are the General Manager of

the Saskatchewan Co-operative Creameries?

A. That is correct, sir.

Q. And the Saskatchewan Co-operative Creameries operates as a creamery at different points in the Province of Saskatchewan?

A. Yes, sir.

Q. How many different branches have you, Mr. Turnbull?

A. Thirty.

Q. That is, all over the province, north and south?

A All within the province.

Q. All within the province; and you have been in the creamery business yourself for how many years?

A. Twenty-four years.

Q. Twenty-four years, all in the province of Saskatchewan?

A. That is correct, sir.

Q. And you have been General Manager of the Saskatchewan Co-operative Creameries for how long?

A. Approximately seven years.

Q. Now, you wish to make a submission on behalf of the Saskatchewan Dairy SAssociation?

A. I do, sir.

Q. Then will you please make that submission, Mr. Turnbull?

A. Mr. Chairman, on behalf of the Saskatchewan Dairy Association I wish to express our appreciation for this opportunity of placing before your Commission certain information concerning the Dairy Industry of this Province and the extent to which railway transportation costs in

particular affect the industry. Our group sincerely believes that the data being submitted herein supports the fact that of the former nine provinces in the Dominion of Canada, the Dairy Industry in Saskatchewan by reason of economic, geographic and other disadvantages has been the most adversely affected by transportation costs and related difficulties.

In taking even the small part in such a hearing, as we are, you will, no doubt appreciate a brief outline of our background. May I first point out that the Saskatchewant Dairy Association includes in its membership all the dairy manufacturing plants in the province as well as all the dairy producers supplying those plants with raw product.

Q. How many manufacturing plants are there in the province, Mr. Turnbull?

A. There are 62 at the present time; there were 63 in 1948.

(Page 750 follows)

Representation on the Board of Directors of the Association is equal as between producers and manufacturers and all have equal voting power at annual or other meetings. The overall number of people vitally interested in our industry is in excess of 100,000. The total value of all dairy products in 1948, according to the Dominion Bureau of Statistics, was $55,894,000.00.

THE CHAIRMAN: Is that in Saskatchewan?

MR. MacPHERSON: In Saskatchewan.

THE WITNESS: In considering the position of the Dairy Industry in Saskatchewan at this time, thought has been given to developments prior to the outbreak of World War Two in 1939 and to the further factors influencing the Industry during and since that war. Consideration has also been given to the need of a healthy Dairy Industry in Saskatchewan altogether aside from the demand for dairy products in their various forms both in this province and in the other parts of Canada. The experience of other older countries and the teachings of our best qualified experts all point to the need for growing some crops in addition to small grains and to the necessity of including live stock in farm programs if soil fertility is to be maintained.

MR. MacPHERSON: Q. What do you mean by that, "if soil fertility is to be maintained"?

A The food producing capacity of the land in the face of wind and water erosion, and which involves some form of crop rotation, grasses and the like, which would build up the fibre in the soil.

Q And which is necessary?

A And which is necessary, yes, indeed, sir.

Q Go ahead.

A Dairying fits perfectly into any system of diversified agricultural practice and in addition can provide a steady source of income in years of partial failure of grain crops. During the 1930's in Saskatchewan's case and on other occasions when crops or grain prices failed, cream and milk cheques represented the only cash many producers received for months at a time. They represented his only means of paying for the necessities of life and maintaining a measure of financial independence. They have always been the best form of insurance in times of need. It is unnecessary to indicate that in many respects and on all too numerous occasions the urban citizen was in like manner dependent upon cream and milk cheques as an indirect means of acquiring the necessities of life.

Q. Why do you say the urban citizen there?

A It was about the only form of currency that was in circulation in a good many districts at that time.

Q Among merchants and other people who were not actually on the farm?

A That is correct.

The following table (Table One) records the total milk production of the province each year since 1925, the amount used in the manufacture of creamery butter, and butter made each year, the number of creameries operating in the province and the output per plant or creamery.

MR. MacPHERSON: Mr. Chairman, I suggest that the table go into the record as it is.

THE CHAIRMAN: Very well.

TABLE ONE

Year	Milk Production 000 lbs.	Milk used in creamery butter 000 lbs.	Butter Made Lbs.	No. of Creameries	Make per Creamery lbs.
1925	1,435,773	373,460	15,946,233	70	227,803
1926	1,465,015	389,539	16,632,765	82	202,838
1927	1,291,156	280,935	11,995,531	82	146,286
1928	1,250,305	264,892	11,310,496	82	137,932
1929	1,401,426	346,293	14,786,205	80	184,827
1930	1,339,872	326,020	13,920,561	69	201,747
1931	1,533,695	444,051	18,960,352	68	278,828
1932	1,537,517	418,302	17,860,895	60	297,681
1933	1,619,895	452,440	19,318,542	60	321,975
1934	1,672,080	488,971	20,878,352	58	351,971
1935	1,670,957	535,237	22,853,859	60	380,898
1936	1,707,252	565,002	24,124,788	61	395,488
1937	1,666,908	552,055	23,571,938	60	392,866
1938	1,608,666	550,938	23,524,260	60	392,071
1939	1,664,033	594,891	25,401,005	60	423,350
1940	1,761,861	662,945	28,306,811	60	471,780
1941	1,925,728	869,507	37,126,694	61	608,634
1942	2,036,496	967,391	41,306,186	62	666,228
1943	2,121,339	1,117,629	47,721,150	62	769,696
1944	2,144,666	1,129,568	48,230,903	62	777,918
1945	1,959,578	961 147	41,039,582	63	651,422
1946	1,895,603	867,496	37,025,440	63	587,705
1947	1,886,565	851,212	36,330,105	63	576,668
1948	1,802,420	799,338	34,116,369	63	541,530

MR. MacPHERSON: The table having gone into the record, I might make these observations. In the first column there is the year. The second column shows the milk production in thousands of pounds. As the Commission will see, it starts off in 1925 with 1,435,773.

THE CHAIRMAN: Does that mean one billion?

MR. MacPHERSON: That would be thousands of pounds.

THE CHAIRMAN: One thousand million?

MR. MacPHERSON: Yes, that is right. You will see that 1928 was the low point where it went from one million four to one million two. The high was 1944 when it went to two million one, and then from 1944 to 1948 there was a continual reduction to one million eight.

The next column is milk used in creamery butter as differentiated from fluid milk. There also it started off with 373,000, the low was in 1928 with 264,000, and the high was again in 1944 with 1,129,000. There has been a gradual reduction each year since then until in 1948 the figure was slightly under 800,000.

THE CHAIRMAN: That means 800 million?

MR. MacPHERSON: Yes, 800 million, that is correct. The pounds of butter made is set out in the next column. It starts out in 1925 with 15,900,000. The low year again was 1928 with 11,300,000, and the high was 1944 with 48,230,000. There has been a gradual reduction since, and in 1948 the production was 34,116,000, or lower than it was in 1941.

The next column gives the number of creameries. Starting in 1925 there were seventy. There were eighty-two for the three years 1926, 1927 and 1928. Then there was a

reduction in number until in 1934 the low point was reached of fifty-eight. That increased slightly until sixty-three was reached in 1945, and now in 1948 we are back to sixty-two.

THE CHAIRMAN: Sixty-three.

MR. MacPHERSON: Sixty-three. As the witness has said, there was one closed recently which makes it sixty-two now. Sixty-three is the figure given in the table, and there has been one closed in 1949. The next column shows the make per creamery pounds. That again shows the low to be in 1928, 137,000 pounds, the high in 1944 of 777,918 pounds, and quite a substantial reduction each year from then until 1948 when the average per creamery was 541,530.

Q Mr. Turnbull, will you proceed, please.

A It might be interesting to add to those comments that the increase in the butter make, as indicated on the table, from 1939 to 1948, is 33 per cent. The decrease from the wartime high in butter making in 1944 to the end of 1948 was 28 per cent.

From an examination of the figures in the above table, a number of facts become evident. The first of these is that for a number of years about half the total milk production of Saskatchewan has been utilized in the manufacture of creamery butter with, of course, the balance being consumed in fluid form, utilized in ice cream and cheese, made into dairy butter and used for feeding farm animals.

Q You refer to cheese. Actually is there large cheese production in Saskatchewan?

A The production of cheese is very small.

Q Why? Is there any reason?

A Largely due to this fact, that where one is going to produce cheese you need a large production of milk in a small area. Where that milk has to be drawn from a wide area the quality plus transportation becomes involved, and it becomes impractical more or less to operate a cheese factory.

Q So cheese does not enter into the picture in the production of dairy products in this province?

A Not in a very large way.

Because of Saskatchewan's large farms and small scattered dairy herds with consequent costly collection of raw products, the manufacture of creamery butter which can be made by bringing to the factory a concentrated raw product, cream, rather than whole milk has proven most economically sound to the present time. This has resulted in dairy manufacturing in this province largely centering around the one product, creamery butter, which product has utilized almost all the surplus dairy production above that required in the local or domestic markets in the province. In discussing the effect of transportation costs to the industry, we will refer mainly to creamery butter and to the supplies, boxes, etc., which must be brought to butter manufacturing points by rail.

A further point evident from the preceding table is that Saskatchewan's dairy production reached an all time peak in 1944 and has decreased gradually since that time, although it is still substantially above pre-war levels. The figure is 28 per cent. For almost a decade Saskatchewan has been the third largest Canadian creamery butter

producing province. Our percentage of the total creamery butter produced has ranged from about 11 per cent to as high as 15 per cent with the 1948 figure being 12 per cent of the Dominion total. The Eastern provinces and British Columbia have been deficiency areas with the surplus creamery butter largely and more particularly in recent years originating on the Prairies. In the Eastern provinces production has been less than consumption; hence there is a minimum railway movement of butter within or out of those provinces. The same is true of British Columbia. Reliable records indicate that during the war years there was approximately as much creamery butter exported from the province of Saskatchewan as from the other two Prairie Provinces combined, no doubt due to the ratio of population to production but indicating that under present conditions the Dairy Industry in Saskatchewan is the most seriously affected of any of the provinces by transportation or freight costs.

COMMISSIONER ANGUS: Q. Could it be that possibly one reason for the high proportion of butter produced in Saskatchewan during the war years was that in some of the other areas the production of cheese was being forced, as it were, for export under British Contracts?

A That is true in part of Ontario and Quebec.

According to a summary of Railway Traffic Reports, for the ten years, 1937 to 1946 inclusive, the province's net butter exports by rail represented on the average 59 per cent of its annual creamery butter make. Those figures did not include L.C.L. and truck shipments. In view of this a reasonable statement is that over 60 per

cent of Saskatchewan's creamery butter make must and does find a market outside of its provincial boundaries.

Saskatchewan is the central Prairie province; hence the one most adversely affected by freight rates and transportation costs in so far as Canadian domestic outlets for surplus creamery butter are concerned. Alberta being closer to the West Coast is able to utilize that deficiency area as a first outlet for her surplus. Manitoba is in a similar position in relation to the Eastern deficiency area. The Dairy Industry in Saskatchewan under all circumstances is constantly in competition with one of these two provinces seeking outlets for their surplus creamery butter and under uncontrolled marketing or normal circumstances, continuously in competition with both.

The point on the Prairies at which transportation costs equalize as between Eastern and Western markets approximates the Manitoba-Saskatchewan provincial boundary, indicating that from the standpoint of shipping costs all creameries located in the province of Saskatchewan may more advantageously move their surplus creamery butter to the West or Pacific Coast. However, the butter deficiency in that area is not normally sufficient to absorb the entire surplus of Alberta and Saskatchewan; hence through price adjustments or price fixation the balance from Saskatchewan moves East at higher transportation costs than the maximum payable by any of the creameries located in the province of Manitoba. This circumstance under normal production and distribution results in approximately one-third of Saskatchewan's creamery butter being marketed on the West Coast and because of more favourable

transportation costs the creameries located in Western Saskatchewan enjoy that outlet. The remaining two-thirds of our creameries involving the area from north to south lying East of the city of Saskatoon are in the position of having to seek markets in Eastern Canada despite the obvious transportation handicap compared with Manitoba creameries.

Under normal circumstances, the Dairy Industry of Manitoba has only one market for surplus production. The same is true of Alberta. This is not so of Saskatchewan where at least one-third of the cream from which butter is made must be purchased in competition with Alberta plants which enjoy on the average approximately .55 cents - five to six -tenths of a cent - per pound transportation cost advantage to the Pacific Coast with the remaining two-thirds being in competition with Manitoba creameries who enjoy a similar transportation advantage to the Eastern markets.

These facts clearly indicate that while the point at which transportation costs equalize on the Prairie is the Manitoba-Saskatchewan provincial boundary, the deficiency and surplus factors actually result in the division taking place more nearly in the centre of the province of Saskatchewan,

Tables two and three contribute to a further understanding of these points. Table two sets out the carlot freight rate in cents per pound from representative Saskatchewan creamery points to Toronto and Montreal on the one hand and/or Vancouver and Victoria on the other.

TABLE TWO

Carlot Freight Rates in Cents per Pound

FROM	TO: TORONTO & MONTREAL Cents	TO VANCOUVER & VICTORIA Cents
Broadview	2.76	2.53
Canora	2.84	2.58
Carlyle	2.72	2.53
Esterhazy	2.76	2.64
Foam Lake	2.92	2.58
Humboldt	3.05	2.44
Kamsack	2.76	2.58
Kelvington	2.94	2.67
Langenburg	2.72	2.67
Lloydminster	3.41	2.08 *
Meadow Lake	3.46	2.71
Medstead	3.38	2.33
Melfort	3.13	2.47
Melville	2.76	2.58
Mervin	3.38	2.33
Moosomin	2.66	2.58
Norquay	2.84	2.67
North Battleford	3.30	2.32
Oxbow	2.72	2.58
Preeceville	2.84	2.64
Shaunavon	3.24	2.27
Swift Current	3.16	2.25
Tisdale	3.05	2.53
Wadena	2.92	2.47
Weyburn	2.84	2.43

Table Two (continued)

FROM	TO TORONTO & MONTREAL Cents	TO Vancouver & VICTORIA Cents
Yorkton	2.76	2.58
Estevan	2.81	2.53
Moose Jaw	2.99	2.33
Regina	2.92	2.37
Saskatoon	3.13	2.33

* -- Agreed Charge

MR. MacPHERSON: Table 2, Mr. Chairman, shows carlot freight rates in cents per pound from selected points in the province of Saskatchewan to Montreal and Toronto in the second column, and to Vancouver and Victoria in the third column.

Q In the first column, Mr. Turnbull, are there creameries located at all these points?

A One or more creameries are located at all these points.

Q That being so, the Commission will see that the high point in the second column is from Meadow Lake, 3.46 cents per pound. The low is Carlyle, 2.72 cents. To Vancouver and Victoria, in the third column, the high again is Meadow Lake, 2.71, and the low is Lloydminster, 2.08. As a matter of fact, in respect to Lloydminster I believe there is an agreed charge to Vancouver and Victoria.

THE CHAIRMAN: There is what?

MR. MacPHERSON: An agreed charge. I will come to that later. From that it will appear that there is a spread between the two in cents of as much, at Meadow Lake, as 1.33

cents, Medstead, 1.05 cents; Mervin, 1.05 cents; North Battleford, 1.08 cents; Saskatoon .09 cents, and that the closest point, as between the two, is, as you have indicated before, near the Manitoba-Saskatchewan border at Moosomin, where the difference is only .08.

THE WITNESS:

In working out the detail of table 3, we have converted the rate structure indicated in table 2 to so much per pound of butter shipped, having in mind the fact that transportation charges at all times include the cost of moving the package or container. Surplus creamery butter largely moves throughout Canada in 56 pound blocks, the block and container in Saskatchewan generally weighing 63 or 64 pounds. Table 3, therefore, sets out the cost per pound of butter basis 63 pounds per package.

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TABLE THREE

Freight costs per Pound of Butter, Basis 63 pounds per package

FROM:	TO TORONTO & MONTREAL Cents	TO VANCOUVER & VICTORIA Cents
Broadview	3.10	2.84
Canora	3.19	2.90
Carlyle	3.06	2.84
Esterhazy	3.10	2.97
Foam Lake	3.28	2.90
Humboldt	3.43	2.74
Kamsack	3.10	2.90
Kelvington	3.30	3.04
Langenburg	3.06	3.00
Lloydminster	3.83	2.34 * West
Meadow Lake	3.89	3.05 North
Medstead	3.80	2.62
Melfort	3.52	2.77
Melville	3.10	2.90
Mervin	3.80	2.62
Moosomin	2.99	2.90 East
Norquay	3.19	3.00
North Battleford	3.71	2.61
Oxbow	3.06	2.90
Preeceville	3.19	2.97
Shaunavon	3.64	2.55
Swift Current	3.55	2.53
Tisdale	3.43	2.84
Wadena	3.28	2.77
Weyburn	3.19	2.73

Table 3 (continued)

FROM	TO TORONTO & MONTREAL Cents	TO VANCOUVER & VICTORIA Cents	
Yorkton	3.10	2.90	
Estevan	3.16	2.84	South
Moose Jaw	3.36	2.62	
Regina	3.28	2.66	
Saskatoon	3.52	2.62	
Arithmetical Average	3.34	2.79	Diff. - .55

* --Agreed Charge

Mr. MacPHERSON: Q. Mr. Turnbull, the points you have in table 3 are the same points that you have in table 2?

A That is correct.

Q And in the first column you show the cost in cents to Toronto and Montreal, and in the next column to Vancouver and Victoria. The spread will be indicated there, and the high is Lloydminster, where the difference is 1.49, almost one and a half; Medstead, 1.18; Mervin, 1.18; North Battleford, 1.10; Preeceville, 1.01; Swift Current, 1.02, and again Moosomin is the point where they are closest, 2.99 and 2.90. Will you tell the Commission now what these forty-four points represent in the number of creameries in the province?

A The thirty points represent forty-three --

Q There are thirty points, and how many creameries are there?

A Forty-three.

Q Forty-three in those thirty points?

Q That is correct.

Q And that represents what percentage of the total creameries of the province?

A Seventy per cent.

THE CHAIRMAN: How much?

Mr. MacPHERSON: Seventy per cent; we have not taken all.

THE CHAIRMAN: Some of these thirty points have more than one?

MR. MacPHERSON: That is correct.

THE CHAIRMAN: And in all they represent forty-three?

MR. MacPHERSON: Forty-three.

Q In volume of production what percentage would those thirty points represent?

A In 1948 they represented just over 76 per cent of the total production.

Q So the thirty points that have been taken represent 71 per cent of the creameries of the province and 76 per cent of the production of the province. All right, Mr. Turnbull.

A The foregoing are locations in the province where one or more creameries presently operate. The most western, eastern, northern and southern creamery locations in the province are indicated. Table 3 indicates the problem confronting the Dairy Industry in this province arising out of the present rate structure. The area in which cream is produced in the province of Saskatchewan from East to West is approximately twice the width of the

producing area in either Manitoba or Alberta. This is generally true but is more particularly so in the central and southern sections of the provinces. In Manitoba the producing area is largely confined to Winnipeg and West to the Manitoba-Saskatchewan boundary and in Alberta, of course, from the Alberta-Saskatchewan boundary to the Rocky Mountains.

In table 3 it will be seen that the maximum difference in transportation costs east and west is 1.49 cents per pound of butter which situation applies at Lloydminster where an agreed charge applies on western shipments. Table 3 also shows the arithmetical average difference between transportation costs per pound of butter east and west as 0.55 cents.

Q How does that compare with the weighted average?

A The two coincide very closely due to the location of the creameries in the province.

Due to production distribution within the province this figure very closely approximates the true operating average. It, therefore, follows that the Dairy Industry in the province of Saskatchewan is carrying an added economic burden of approximately .55 cents per pound of butter in relation to the two sister provinces - providing competitive prices are paid for cream, a burden that increases the moment creamery butter from the western half of the province has to move east and vice versa.

Q Mr. Turnbull, actually today the creameries are selling on the basis of the floor price; is that not right?

A That has been true for approximately the last two or three weeks.

Q In the last two or three weeks you are selling your butter to the government, so to speak.

A The Dairy Products Board, which is an agency of the government.

Q And does the Dairy Products Board itself recognize any difference in the floor prices east or west?

THE CHAIRMAN: Pardon me. Is that a dominion board?

MR. MacPHERSON: Yes, a dominion board. I think Dr. Shaw is the Chairman of it.

Q Is there a difference in the floor price east and west that is recognized?

A The floor price - there is a difference. That is the direct answer. The west coast floor is 57½ cents, basis first grade butter only. The Ontario and Quebec floor is 58 cents basis first grade.

Q That is, there is half a cent difference recognized east and west in the floor price?

A Yes, that is correct.

Mr. EVANS: Q. Is that f.o.b. any point?

A That is delivered those markets, the floor price.

Q Vancouver --

A Vancouver on one end, and Ontario and Quebec on the other.

MR. MacPHERSON: We might as well clear that up. That is to say the price that you get in Toronto is 58 cents less freight?

A That is correct.

Q That is, you pay the freight to Toronto out of the 58 cents?

A That is right.

Q Or to Montreal?

A That is right.

Q And likewise to Vancouver or Victoria you would pay the freight out of the 57½ cents?

A That is correct.

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The provinces of Quebec and Ontario alone exceed Saskatchewan's annual creamery butter output but being deficiency areas, that is, producing less butter than is consumed, and with more highly diversified and competitive transportation facilities, provide little, if any, creamery butter for carlot movement by the railways. Saskatchewan regularly exports approximately as much creamery butter as Manitoba and Alberta combined.

THE CHAIRMAN:

Q. Creamery butter?

A. Creamery butter. And as the movement of this butter costs an average of .55 cents a pound more than in either case it will be apparent that transportation costs are much more of an influencing factor in an economic sense to the dairy industry here than in any province in the Dominion. It is also apparent that railway income from the carlot movement of creamery butter in Saskatchewan is the highest of any province in the Dominion.

We have endeavored to indicate in the above manner the long term handicaps largely arising out of transportation costs to Dairy Industry development in Saskatchewan in relation to the sister provinces. The dairy industry in Saskatchewan had extreme difficulty artificially overcoming this disadvantage prior to the 21 per cent increase in freight rates. The rate increase substantially aggravated the situation resulting in an significant dislocation of former competitive measures and a situation to which, as yet, the dairy industry has not found it possible to satisfactorily adjust itself.

Mr. MacPHERSON: You are going to deal with what you call"former competitive measures"?

A. That is correct.

THE CHAIRMAN: What is that?

MR. MacPHERSON: "Former Competitive measures." He uses that term there, and he is going to make it clear.

THE CHAIRMAN: Yes.

THE WITNESS: A brief review of the policies followed by the industry during the last twenty years, the most progressive period in the history of the business in Saskatchewan, will indicate how the half cent freight disadvantage which ruled prior to the 1948 horizontal increase was overcome and will show why little, if any, further progress can be made by the means used in the past. That half cent is a slight exaggeration. The correct figure was .47, slightly less than half a cent.

A review of table 1 shows that in the later 1920's the total creamery butter make in the province and the make per plant were both at a low ebb. At times Saskatchewan creameries because of their transportation cost handicap were unable to pay cream prices competitive with those offered by Manitoba and Alberta creameries. As a result substantial quantities of cream moved over both the eastern and western borders of the province without any compensating inward movement. This in turn further decreased the make per plant, automatically increasing the manufacturing cost per pound and adversely affected the already unsatisfactory creamery butter quality of the day. The reason for this situation becomes more clear when we point out that if a can of cream moves from Virden, Manitoba,

to Broadview, Saskatchewan, incoming westerly transportation charges are involved. Then the finished product, butter, at Broadview when shipped east in carlot quantities goes back over the same route, creating a duplication in transportation which does not occur when Broadview cream goes to Virden, and the finished product, butter, proceeds from Virden, east.

A further reference to table 1 will indicate that from 1929 forward the number of creameries in the province was drastically reduced by closing, in principle at least, the less economic units. This action was deliberately taken and involved substantial capital loss.

MR. MacPHERSON:

Q. Did your own company, The Saskatchewan Co-Operative Creameries, close some of its units during that period?

A. The Co-Operative Creameries were responsible for closing a majority of the units closed. There was another organization that participated quite extensively in that program, Burns & Company as well as, in part, of course, the former Calders organization.

COMMISSIONER INNIS:

Q. These will be small creameries, I notice; and I see that your production has gone up in spite of the decline in the number of creameries.

A. Yes, indeed.

MR. MacPHERSON:

Q. They were the smaller creameries, yes, and as the brief says, the less economic units were the ones which were closed.

A. Yes.

THE CHAIRMAN: There is a reminder that the closing involved subatantial capital loss.

MR. MacPHERSON:

Q. That is, the company took its capital loss and carried on with larger units, wiping out the smaller economic units.

A. Yes.

Coincident with this reduction in creamery numbers and, no doubt, in part traceable to the now famous depression period, came a gradual increase in cream production across the whole of the Prairies with the result that the buttermake per plant in Saskatchewan quickly rose to a higher figure than ruled in either Alberta or Manitoba. Any figures quoted will deviate from the facts unless complete statistics are supplied but developments are accurately cited when we point out that since the late 1930's the average unit creamery butter production per plant in Saskatchewan has remained about 200,000 or more pounds per plant above the average for either of our sister provinces. Since 1934 the creameries in the Eastern half of the province of Saskatchewan have effectively met all competition to which they have been exposed from Manitoba and the same is true of the Western half of the province in competition with Alberta. This obviously has only been possible by overcoming the transportation cost handicap through maintaining a larger average unit butter production per plant. If Manitoba and Alberta had adopted as vigorously similar procedure, Saskatchewan could only maintain its position

through even more extreme measures of a like nature which, of course, entail capital loss. Figures could also be submitted confirming the improvement in quality which came hand in hand with the increased volume per plant. Developments not only improved the marketability of our butter but, as earlier implied, greatly increased returns to cream producers. There also have been instances where Saskatchewan creamery operators voluntarily exchanged properties to reduce overlapping and eliminate duplicate services at the same point so as tobe the better able to withstand the strain of unfavorable transportation costs and other economic trends.

MR. MacPHERSON:

Q. Have you carried on that down to recently, the co-operation as between the different creameries in the province?

A. The most recent development, Mr. Chairman, of a related nature, took place in 1947, which involved the Dairy Pool with head office in Saskatoon,and the Saskatchewan Co-Operative Creamery Association Limited, through which an exchange of properties took place involving a total of five plants, subsequently leaving to continue to operate only four.

While the Industry by most efficient operation of a limited number of plants was able to overcome its transportation disadvantage in the aforementioned manner, it is believed that little further progress is possible by the same expedient at least through voluntary co-operation. In the opinion of the Industry the point has now been reached where any gains through a further reduction of plants

would be more than offset by the cost of movement of raw products over increased distances.

MR. MacPHERSON: That is, of the milk and the cream.

THE CHAIRMAN: Yes.

THE WITNESS: The service to producers must be kept in mind at all times. There are few, if any, districts now left in Saskatchewan where a reduction of plants would not result in the elimination of a near essential service.

It must be conceded that the Dairy Industry in Saskatchewan for the last twenty years at least has not stood idly by and let the otherwise inevitable occur. They recognized their handicaps and through working together did something about the situation despite the fact that other public service groups into which the field of transportation falls failed to take similar measures and through their shortcomings have continued to add to our already over burdensome transportation problems. Now we have margarine being manufactured and sold in Canada which aside altogether from its impact upon the Canadian agricultural economy will surely lead to a decline in railway revenues. Most of the oil from which it will be made will be imported and thus transported by cheaper transportation methods. The product itself will be largely manufactured in our Canadian industrial centres and consumed in the vicinity, where the major percentage of our population is located. Here again, local distribution will to a considerable extent be provided by alterante and cheaper methods than railway transportation. As creamery

butter is displaced by margarine, western production will almost certainly decline and the railways will lose a portion of the economic long haul butter load to the Eastern provinces and to the West Coast enjoyed in recent years as well as the equally valuable revenue on incoming raw material. It is not to be expected that the railways will be compensated to any appreciable extent through margarine transportation revenue.

The point is raised only to indicate that in effect Canada's railway systems are as vitally interested in the economic health of the Dairy Industry as the Industry itself. This being so now is the time for them to do something about it through more equitable rate structures and product classification, thus assisting the Dairy Industry to survive, more particularly in the Prairie provinces, and to contribute significantly to railway transportation income.

A development during the Second Great War which had far reaching effects to the Dairy Industry in the Prairie West, the area of surplus production - should be introduced here. We refer to the appointment of a Transport controller for Canada who functioned with similar authority to our Wartime Prices and Trade Board and in the course of his duties issued maximum carloading regulations or orders. Prior to January 18th, 1943, the railways freely handled from any point inSaskatchewan to any points in the Dominion of Canada minimum carloadings of butter basis 20,000 pounds per car. They handled from Saskatchewan to any point in the Dominion mixed carloadings of butter and dressed poultry in minimum weights of

20,000 pounds per car. Effective January 18th, 1943, orders were issued by the Transport Controller which required that butter had to be loaded at not less than 40,000 pounds excepting when transported within the provinces of Manitoba, Alberta and British Columbia when it could be loaded at not less than 30,000 pounds -- butter, eggs and poultry in mixed carloading, at not less than 36,000 pounds. It will be noted that the immediate effect of these regulations having in mind the point made earlier, namely that under normal circumstances one-third of Saskatchewan's surplus creamery butter is marketed in British Columbia with the other two-thirds being marketed in the Eastern provinces, was a reduction in the number of cars required by approximately 40 per cent in so far as the province of Saskatchewan was concerned.

THE CHAIRMAN: What about this Transport Controller? Is he still in office, or has that position been abolished?

MR. MacPHERSON: Oh, Mr. Chairman, the witness deals with that later on. There is no Transport Controller now.

THE WITNESS: Creamery butter is a perishable product; hence must be held under refrigerated conditions at all times. In the case of the province of Saskatchewan it will be noted that the provincial buttermake was approximately 25,400,000 pounds during the calendar year 1939 but that it increased to approximately 48,230,900 pounds during the calendar year 1944. Since previously we had been permitted to move butter in carlot quantities down to a

minimum of 20,000 pounds refrigeration facilities had been provided accordingly in most creameries. Production increases during the war years would have taxed these facilities to the limit but when in addition we were required to accumulate approximately twice the amount of butter per factory before being permitted to ship, a new and formerly entirely unnecessary capital outlay became involved. Many thousands of dollars were invested in additional refrigeration facilities throughout the province without choice or any provision being made for their recovery during the war years. Thisdevelopment weighed heavily on the Dairy Industry at the time because of the capital outlay involved. Now the former minimums have been restored but we still have the facilities which represent capital waste, the more so in the face of declining production, unless some means can be found to put them to practical use.

MR. MacPHERSON:

Q. There is no Transport Controller now, is there?

A. Not to my knowledge, no. We were given to understand that the need for these measures with such a heavy capital penalty and inconvenience to the Dairy Industry arose through a shortage of rolling stock, inability to replace the same and a wartime need to conserve. However, a point that was apparently overlooked was the fact that, with the co-operation of the Dairy Industry it worked and there must have been substantial operating savings to the railways. Partial proof of this at least is the buoyant railway revenue of those years. If we assume that the same circumstances had applied to

Saskatchewan in 1948 instead of hauling possibly 1,000 carlots of creamery butter involving refrigerated cars throughout, some 580 cars - that figure is arrived at by using an average of 35,000 pounds per car - might have sufficed. We are not in a position to say with accuracy how much more it costs to move a car loaded at 30,000 or 40,000 pounds than one carrying 20,000 but feel certain that the increased cost would fall far short of possible savings. We suggest that the principle involved was proven sound during the war; hence offers at least one possibility of rate revision without penalty to the railway from a butter manufacturer's point of view. Why is it not practical tohave two or three freight rates covering carloads of creamery butter - one for 20,000 pounds, another and lower rate for 40,000 pounds and possibly an in-between rate covering 30,000 pound cars? Through such a rate structure a large section of the Dairy Industry in the West could benefit by further savings without net income penalty to the railways. A rate structure based on pay load would have advantages from the standpoint of buyer, seller, producer, consumer and the railways. In such a manner the Dairy Industry would be placed in a position to continue to benefit from the enforced capital outlay of the war years.

The same wartime orders and regulations required the Dairy Industry to accept ordinary box cars for the movement of butter from province to province during the fall, winter and spring months of each year whereas formerly refrigerator cars had been generally available the

year around. This too proved practical and while again the Dairy Industry was put to additional expense in adjusting itself to the same it worked. The butter moved freely and without known ill-effects in all but the midsummer hot weather months. The rolling stock used approximately seven out of 12 months must have represented a considerably more modest investment from a railway standpoint; hence in our view pointed the way to a possible revision in the rate classification of creamery butter. Creamery butter to the present time moves third class in carload quantities. Butter is a concentrated food product and when moving in carload quantities is carefully packed in strong wooden boxes with the content sealed against foreign matter - a convenient package for handling and reasonably safeguarded against loss through breakage. It can be transported long distances without risk of deterioration excepting in the hot weather months when suitable refrigeration is required. It compares favorably in transportation requirements with certain other commodities such as for example lard which moves fifth class in carloads.

In view of these circumstances, we respectfully recommend that the economic impact of transportation costs to the Dairy Industry in the Prairie West is such that it will be in the interests of the Canadian economy as a whole to ease the situation through placing creamery butter in a lower rate classification or in the alternative providing a special commodity rate which would cover carload lots being transported long distances such as from the Prairies to Toronto or Montreal and/or to Vancouver or Victoria,

British Columbia, etc.

It is possibly unnecessary to point out that in the province of Saskatchewan where industrial development is largely lacking, all items entering into dairy or creamery processing excepting labour carry single or multiple transportation costs involving either freight or express and in many instances both. In the butter industry, the dominant branch in Saskatchewan, there are three main items involved:

1. Transportation charges on the incoming raw material, namely milk and cream.

2. Transportation charges on materials used during processing and packaging (wooden boxes, salt, washing compounds, neutralizers, box liners, butter wrappers, cardboard containers, etc.) and all heavy dairy equipment.

MR. MacPHERSON:

Q. Where do you get your wooden boxes?

A. In the province of Alberta, at Edmonton.

Q. Where does your salt come from?

A. The major percentage of the salt used in connection with the manufacture of creamery butter, wherein solubility is very important, comes from Windsor.

Q. Windsor, Ontario?

A. Windsor, Ontario.

Q. And your washing compounds, neutralizers, liners, butter wrappers and cardboard containers; where do they come from?

A. That's putting too many things in one pile.

Q. Well then, take them seriatim.

A. The cardboard oontainers come from the city of

Winnipeg; most of the other items come from eastern Canada.

Q. And your heavy dairy equipment. Where does that come from?

A. From eastern Canada; and I think some of it originates even in the U.K.

Q. You mean in the United Kingdom?

A. Yes.

MR. MacPHERSON: Go ahead then.

THE WITNESS: 3. Transportation on the outgoing finished product. The incoming raw materials, milk and cream, reach Saskatchewan dairies and creameries either by railway or truck or are delivered direct by the farmer. When transported by railway, milk moves under a baggage express classification, the cost varying in direct proportion to mileage blocks. Cream comes forward through the same media and by railway under an express rate setup. Reliable statistics indicate that of the total cream moving to Saskatchewan creameries for conversion into creamery butter, 50 per cent moves by railway, 26 per cent by truck with approximately 24 per cent being delivered direct to the factory by the individual.

Accurate transportation cost records kept by different Saskatchewan creameries indicate that a reasonable average cost per pound of butterfat works out at from 1.75 cents to 2.0 cents which figure when converted into pounds of butter works out at 1.5 to 1.7 cents a pount. It is impossible to accurately determine the unit cost effect on the finished product of transportation charged on added materials, packages, etc., used during processing proper.

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The source of supply changes throughout the year with some products coming in freight collect in carlot quantities dependent upon the size of the business involved and others being brought in by wholesalers and redistributed in small lots throughout the province. In the latter case, transportation costs pyramid rapidly. In all cases the incoming freight on dairy equipment of all classes is a considerable item. The Eastern provinces more particularly Ontario, are the main source of supply in most instances. It is estimated that pooling the transportation cost on all supply items going into a pound of creamery butter would yield a cost approximating 0.195 of a cent a pound.

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Transportation costs on the finished product, butter, more particularly on the percentage that must find a market outside the province represents one of our greatest economic burdens. We have already pointed out that approximately 60 per cent of Saskatchewan's total creamery butter output must normally find a market outside the province -- one-third in British Columbia and two-thirds in the Eastern provinces. Table three set forth representative rates or transportation costs converted to include the weight of the package which is the real transportation cost that must be borne by a pound of Saskatchewan creamery butter. The average cost of moving butter from Saskatchewan to Toronto or Montreal works out at 3.34 pcents per pound and to Vancouver or Victoria at 2.79 cents per pound. The provincial average for the whole, basis one-third moving West and two-thirds moving East, mathematically at least works out at 3.156 cents a pound. It is of passing interest to indicate that prior to the 21 per cent horizontal increase in rates our provincial average transportation cost figure worked out as 2.61 cents a pound, indicating that the minimum effect to the Dairy Industry in Saskatchewan through this development alone on this one phase of our operation was 0.546 cents per pound -- slightly more than half a cent -- or basis 1948's total production involved $108,000.00.

The cumulative transportation charges presently assessed by the railways either as express or freight on a pound of Saskatchewan creamery butter involves approximately 4.97 cents a pound, originating in this

manner:

Incoming express on raw material, cream	- 1.50¢
Incoming freight, etc. on essential supplies	- 0.195¢
Carlot transportation on surplus finished product to market	- 3.156¢
Additional railway service charges	- 0.12¢
	4.971¢

The point might well be raised as to how much revenue the railways alone presently receive from the Dairy Industry in Saskatchewan. We doubt that anyone excepting the railways is in a position to provide factual information. It is known that on creamery butter alone including express on cream the railways must have received approximately one and one-half million dollars during 1948. To this figure one must add revenue arising through the handling of whole milk, cheese, ice cream and their supplies which using production statistics for calculation purposes represented in volume approximately 25 per cent of the total milk production or half as much as butter. If we assume that the income on such dairy products was relative to butter, a total of two million dollars should conservatively represent their 1948 earnings. This estimate does not include earnings arising out of the use of railway express money orders for cream settlement purposes which method of payment is extensively used throughout Saskatchewan and must represent a satisfactory source of revenue.

MR. FRAWLEY: Other income.

THE WITNESS: The extent to which the Dairy Industry in Saskatchewan is affected by reason of economic, geographic cumulative transportation costs and related

difficulties is possibly best illustrated by pointing out that at the present time the Federal Government is supporting the creamery butter market through a floor price program basis 57 1/2 cents for first grade only delivered Vancouver and/or 58 cents delivered Toronto or Montreal.

MR. MacPHERSON:Q.Mr. Turnbull, you refer to first grade only; what percentage of the butter produced is first grade?

A. Well, it varies; it has varied since 1939 from 6.5 to 14.9 per cent. The average for that period approximated 9.5 per cent.

Q. That is, the average of off-grade butter?

A. Of less than first grade butter.

Q. So first grade butter would be about 90 per cent which would be taken at the floor price?

A. 90 to 91, that is correct.

Q. Go ahead, Mr. Turnbull.

A. Of this price 4.971 cents a pound or 8.6 per cent goes to the railways to cover transportation costs in some form. 57 1/2 cents Vancouver or 58 cents Toronto in the light of the past and possibly future long term price possibilities should be viewed as attractive prices from the producer's standpoint. If we assume that prices may well recede to 30 cents a pound, at that point 16.5 per cent of the price would go to the railways covering transportation under today's rate structures, etc. However, an even more impressive observation might be to point out that in 1948 when a representative group of Saskatchewan creameries reported an

average collection, processing and marketing cost per pound of butter made for the year of 9.92 cents, 4.97 cents of the cost or 50.1 per cent covered transportation in some form. The cost factor composed of railway transportation was greater than the Industry's otherwise overall costs including labour in this province. Surely such transportation costs may be generally referred to as representing an intolerable economic burden from the Saskatchewan producer's point of view.

Conclusion

The Saskatchewan Diary Association is wholly representative of the Dairy Industry in the province. The interests of manufacturers are closely allied with those of the producers. 65 per cent or more of the processing facilities are co-operative. The independent operators, however, are in a similar position.

Q. Now, Mr. Turnbull, you are referring to independent operators; are the independent operators in your Dairy Association?

A. All of them; every operator in the province is.

Q. That is, every operator is in the Association?

A. That is correct.

THE CHAIRMAN:Q. What does that word "independent" mean? Those who are not in the co-operatives?

A. Independent of the Co-operatives.

MR. MacPHERSON: Q. Go ahead, please.

A. They depend upon cream and milk production for success. The Industry has made every effort to operate economically and provide its share of the essential and

nutritional food products so necessary for the health of our nation.

We submit that the Dairy producers are being penalized due to high transportation costs, resulting in serious damage to the Dairy Industry which is of major importance to our agricultural economy. The prosperity and welfare of the Industry depends almost entirely upon a maintenance of production which in turn necessitates the province selling more than 60 per cent of the creamery butter output outside of its borders. It is in the national interest to reduce the Dairy Industry's economic burden in every possible practical manner.

It has been submitted herein that at least two possibilities present themselves from a transportation cost standpoint without proportionate loss of income to the railways:

1. That on long haul carload quantities of creamery butter two or more rates be established based on pay load, the larger load benefiting from a lower rate.
2. That through the use of less than the best type of rolling stock during those months when weather conditions permit, economies are created which on long haul loads East or West would permit a more favourble freight classification, or a special commodity rate for creamery butter could be provided.

In appraising Saskatchewan's economic handicaps it must necessarily be borne in mind that the railways enjoy a near monopoly in the transportation field; hence

have not had to concede the agreed charges or special commodity rates which would otherwise have eased our transportation burden.

MR. MacPHERSON: Q. You have one agreed charge in Saskatchewan, have you not?

A. That is correct.

THE CHAIRMAN: One what?

MR. MacPHERSON: One agreed charge.

Q. That is from Lloydminster?

A. That is correct.

Q. And that is the only point from which there is an agreed charge on butter?

A. To my knowledge, sir.

Q. Now, that came in because I believe there was an agreed charge from Edmonton to the coast, and then you proceeded to truck from Lloydminster to Edmonton; is that right?

A. That happened prior to my time, sir, but that is my understanding of what took place.

THE CHAIRMAN: Do I understand that this agreed charge at Lloydminster runs from Lloydminster westward only?

MR. MacPHERSON: Westerly, yes, westerly to the coast. There had been an agreed charge from Edmonton, and the creameries started hauling by truck to Edmonton and taking advantage of that agreed charge, when an agreed charge was put in from Lloydminster as well, and that lower charge is in effect.

Q. Go ahead, Mr. Turnbull.

A. We lack competitive water transportation

facilities entirely and, due to distance, to a considerable degree lack the highway facilities which have tended to maintain a more favorable situation in the central provinces. The Saskatchewan Dairy Association submits that adjustments which would minimize our economic handicaps and provide a greater measure of equity have been desirable for some time, but are now vital to the industry.

All of which is respectfully submitted on behalf of the Saskatchewan Dairy Association.

MR. MacPHERSON: Mr. Chairman, my friend Mr. Evans points out an error in table 2 on page 6. It is a slight error, and we accept his correction. At the point Meadow Lake to Vancouver and Victoria, we have shown the rate as 2.71. The correct rate, he says, is 2.58, and we accept that.

Your witness, Mr. Covert.

EXAMINED BY MR. COVERT

Q. Mr. Turnbull, I think it is fair to say that the recommendations which your Association makes are set out on page 19 of the brief -- that is, that on long haul carload quantities of creamery butter two or more rates be established, and you also refer in the second one to rolling stock during the winter months?

A. Yes.

Q. Now, I think you understand that this Commission cannot exercise the functions of the Board of Transport Commissioners; for instance, they cannot give you rates -- this is not an appeal court -- or they cannot change the

classification; you understand that?

A. I understand that, sir.

Q. Then it would seem to me that you would have to bring this particular case within some principle, you must suggest some principle that would help the Commission; have you any particular principle in mind? You set out your geographical disadvantages, your markets, and where your chief competitors are; now, do you suggest that that presents some principle of which the Commission should take cognizance?

A. The only way I could answer that question, sir, is to start at the beginning and, using the language of the Order in Council, suggest that to the best of our ability we have cited our economic, geographic and other disadvantages and indicated -- well, I would say I don't know whether you could use the word "principle" but ways and means by which certain of these might be overcome without too much penalty to the railways.

Q. Well, perhaps I can put it to you this way: would you say, for example, if there is an economic disability, just a principle that there should be low freight rates to encourage that industry or to enable it to compete with other industries? Would you go that far?

A. In keeping -- I think that is stated -- in keeping with the best interests of the Dominion economy as a whole; that statement is made in this brief somewhere, I think.

Q. What I would like to find out is, for example, supposing it were shown that the rate that would enable you

to compete with other industries was not economic so far as the railways were concerned, have you any suggestions as to what we should recommend?

THE CHAIRMAN: Other industries -- that means other butter-making industries in other parts of Canada? Is that what you mean? You say, competing with other industries.

MR. COVERT: I should have said other industries in other localities.

THE CHAIRMAN: Of the same kind?

MR. COVERT: Yes.

THE CHAIRMAN: The same kind of industry.

MR. COVERT: Yes.

THE CHAIRMAN: What is the question, then?

MR. COVERT: Would you read the question, please?

THE REPORTER: "What I would like to find out is, for example, supposing it were shown that the rate that would enable you to compete with other industries was not economic so far as the railways were concerned, have you any suggestions as to what we should recommend?"

A. I do not consider myself capable of answering that question.

Q. Now, I wanted to ask you in connection with the closing of these creameries; I think you refer to it on page 10 of your brief, that you closed certain creameries to make the whole picture operate in a more economic manner; is that right?

A. That is correct.

Q. The freight rates of those particular creameries, were they important factors in the decision to close them?

A. Indirectly, yes, in that transportation costs were pressing us into a smaller area or diverting product, as stated, to the sister provinces, they were indirectly an important factor.

Q. On page 11 you mentioned margarine; does that get a lower classification or a lower rate than butter?

A. Not to my knowledge; I believe it is third class, too.

Q. It is the same?

A. The same as butter.

Q. Then on page 15 you suggest that butter should perhaps be in the same classification as lard; is that correct?

A. Well, I point out that it compares favourably in transportation requirements with certain commodities such as for example lard; that is my belief.

Q. Then I think what you are suggesting is that perhaps the rate should be based on just the cost of carriage rather than the value of the product -- there would be quite a difference between the value of butter and the value of lard -- or perhaps it is because the butter industry is more important to the economy of the country than lard; could you give us some enlightenment on that?

A. I would personally, of course, hold that view; there might be others that would disagree.

Q. Do you suggest that the Commission should take into consideration factors of that kind in making recommendations to the Board as to fixing rates?

THE CHAIRMAN: Do you mean the respective value of the articles transported?

MR. COVERT: Yes, or the importance of the industry to the region or province.

THE WITNESS: I would like to hope that this Commission will take the importance of the industry to the economy in that region into consideration. I would consider that important.

MR. COVERT: Q. And you think that that should be a factor in determining freight rates?

A. More particularly where all of the people in the Dominion of Canada become involved, as we believe they do in the case of creamery butter.

Q. Now, I think it may be important that the Commission should know your views on the matter of discount. Let us assume that the rate which was fixed for carrying butter was a loss rate as far as the railways were concerned; now, have you any suggestions as to how that would be made up by the railways? By higher rates in the east, or do you suggest subsidies or ---

A. Sir, there again I do not consider myself capable -- I do not consider it desirable that I express opinions on those particular points. I would rather confine myself strictly to our own industry and our own province.

Q. Now, would you think, Mr. Turnbull, that possibly the rates on grain in the west put an emphasis on grain production, and consequently the industry in which you are interested has been neglected?

A. There again, that is outside my field, sir; I would not care to express an opinion.

Q. That is all.

CROSS-EXAMINED BY MR. FRAWLEY

Q Mr. Turnbull, I suppose, when you suggest that there should be varying rates with varying weights of car, that you are not asking for anything more than is done in regard to some other commodities; do you know that?

A. No, I do not know that.

Q. Do you know that canned goods move from Ontario and Quebec to the West Coast in the trans-continental tariff at varying rates, depending on the size of the car?

A. No, I did not, sir.

Q. But that is what you are asking; that is what you are suggesting in connection with butter?

A. That seems to be so.

Q. The same thing exactly. Now, developing again a little bit the point that Mr. MacPherson was examining you on, what was the reason that you have only one agreed charge from all of your Saskatchewan creameries to the west coast?

THE CHAIRMAN: One what?

MR. FRAWLEY: One agreed charge.

THE CHAIRMAN: Q. Pardon me; is that agreed charge with the Co-operative alone?

A. Yes, we are the only people operating a creamery at Lloydminster where the agreed charge exists.

MR. FRALWY Q. Yes, but if there were others, if Burns were there or Swift's were there, they would get the advantage of the agreed charge?

A. That is correct.

Q. Just before you answer that, to enable you to answer it better, perhaps, there are, as you know, several places in Alberta where agreed charges are in vogue from there to the coast?

A. Indeed we know that.

Q. My friend Mr. MacPherson mentioned Edmonton, but there are others, I know. Now, with that in your mind will you tell me why there is only one in Saskatchewan?

A. In the main I can only express the opinion that the reason for that is that our highways, due to distance and other factors which are more the Government's business than mine, are not too suitable for long-haul heavy loads where butter is involved, and I would say that on that account we have not yet reached the point where maybe we are in a position to put the railway on the spot as possibly others have done through making them consider an agreee charge or competitive rate.

Q. Now, Mr. Turnbull, in the case of the Lloydminster agreed charge, the basis of it was -- had to be, I understand, under the Transport Act -- threatened competition of other forms of transportation?

A. There was other competition at the time.

Q. And that was by ---

A. By truck.

Q. By truck from Lloydminster to the west coast?

A. No, to Edmonton.

Q. Well, you say, then -- I want to understand it -- the reason that the railways gave you an agreed charge from Lloydminster to the west coast was the possibility of highway competition from Lloydminster to Edmonton and the

existence of an agreed charge from Edmonton to the west coast?

A. I don't know that I would call it an agreed charge from Edmonton to the coast; it was either an agreed charge or a special rate.

Q. Well, I want to know the basis of any departure from the normal rate?

A. The reason the railway gave us the agreed charge, I presume, which involved a lower rate, was to get the benefit of the transportation of that butter from Lloydminster direct to the coast instead of losing it from Lloydminster to Edmonton and picking it up from there on at the low rate.

Q. Yes, but what is troubling me is the basis -- the agreed charge was from Lloydminster to the west coast?

A. That is right.

Q. Now, what I would like to understand is the basis for that; it must have been truck competition?

A. That is correct; that has been stated.

THE CHAIRMAN: Well, what were the elements of the agreement?

MR. FRAWLEY: That is what I would like to know more about, sir.

MR. O'DONNELL: It is all in writing, sir.

THE WITNESS: It will be all in writing. It happened prior to my time. I am not immediately familiar, sir. We can submit them to you.

MR. FRAWLEY: Well, that is good enough. You say that when we see the agreed charge itself it will indicate

the truck competition which was said to be the compelling consideration in giving you that agreed charge?

A. It will provide the background, I am sure.

Q. Now, you think that butter should have a little better classification in the Canadian Freight Classification?

A. I would like to see it enjoy a better classification.

Q. And you call attention to the fact that lard is in the fifth class and butter is in the third class?

A. That is correct.

(Page 803 follows)

Q Now, I suppose that if you complained about that to the railways they would point out the difference in the value of the product between butter and lard?

A Yes, although that is a highly fluctuating thing.

Q Yes.

A It varies widely. I would expect them to do that.

Q That is what I meant. I think that is the first answer they would give you, the difference in the value of the product between lard and butter. What is the difference between the wholesale price of margarine in Regina today as against the wholesale price of No. 1 creamery butter?

A I have not got too much knowledge regarding the wholesale price of margarine. I guess I am a little narrow minded, but I am of the opinion that it is retailing at around 43 cents a pound.

Q Give us the retail price, then. The retail is 43 cents?

A. I think that is correct. I cannot state that as a positive fact because I don't know.

Q And your No. 1 grade butter?

A It will be retailing at somewhere between 58 and 60 cents depending on the -

Q Let us call it 60 cents. In spite of that differential in value margarine and butter travel in the same classification?

THE CHAIRMAN: What is the price of the butter?

MR. FRAWLEY: Fifty-eight to 60 cents.

Q In spite of that very considerable differential in the retail price the railways are carrying butter and margarine in the same freight classification?

A That is correct.

Q They seem to have departed from their value concept there.

MR. O'DONNELL: The value concept is merely one factor, as you well know.

MR. FRAWLEY: Q. How many milk condensories have you in Saskatchewan?

A None.

Q You have no milk condensories at all?

A Not one, not any.

MR. FRAWLEY: Thank you.

CROSS-EXAMINED by MR. EVANS

Q I think you and I will agree at once on one thing, Mr. Turnbull, and that is that we like butter better than margarine?

A On my part, yes.

THE CHAIRMAN: Please repeat that last phrase.

MR. EVANS: I said that I thought Mr. Turnbull would agree with me at the outset that we both like butter better than margarine.

Q I am rather interested in this floor price. I suggest that the difference between the floor price at Vancouver and the floor price in the east represents about exactly the amount of what you call the disadvantage in freight rates, east and west, as between shipping east and west?

A That is correct.

Q So that while that floor price operating within half a cent decides your choice east and west as to where you find your market, it is really not an additional burden

on you?

A Oh, it is an additional burden, that is, regardless ofwhether the butter is purchased for shipment east or west at the floor, the added transportation cost is still a part of the cost from the producer's point of view. I would suggest - you did not ask me this question and maybe I should not suggest it - that the half cent difference in so far as the price support program on butter is concerned, is largely designed for the purpose of trying to bring about a proper distribution, the most economic distribution of the available butter supplies. That is, they do not want butter to go east if later they have to haul it west.

Q I would not quarrel with your view on that. I am merely pointing out the effect of it, that whether you shipped east or west the net to the farmer was probably the same after the transportation cost had been paid, or the net to the creamery?

A That is correct.

Q Is the floor operating now?

A The floor is operating throughout the Dominion. It has been particularly applicable to Saskatchewan butter during the past two or three weeks. I would say that at the present time 95 per cent or more of Saskatchewan first grade creamery butter production, surplus creamery production, is being sold to the Dairy Products Board at floor prices.

THE CHAIRMAN: Q. At what?

A Floor prices.

MR. EVANS: Q. When the war years were on us there was a subsidy on butter. Just for information tell

us how that butter subsidy was paid, and what it amounted to?

A The subsidy was not on butter. It was on the cream that went into the butter.

Q I see.

A It varied widely throughout the war years. Speaking from memory now I think it varied from as low as possibly six cents a pound butter fat to ten cents in the main. There may have been a short period when more than ten cents was paid. There was a long period when eight cents was paid per pound of butter fat. That subsidy was paid by the individual creameries direct to the producers, and through a reporting system the creameries claimed reimbursement from Ottawa after passing through certain inspection channels, and they received their money in due course. The creameries paid the money to the producer, and the creameries were reimbursed by Ottawa.

Q How did the farmer obtain his subsidy in respect of the dairy butter? Did he get that direct?

A No, he did not get any subsidy on dairy butter production which I would say - I hope without embarrassment to anyone - was intended to be discouraged during the war years, and I think properly so.

Q On page 11 of your brief you mention the fact that a good deal of the vegetable oil going into the production of margarine would have to be imported. You say "most of the oil." Had you in mind that there is quite a large industry making vegetable oils in Manitoba, or had you any knowledge of that?

A Oh, definitely I had knowledge of it.

Q You had knowledge of it?

A Certainly.

Q Then there is also some produced in Saskatchewan, is there not?

A Vegetable oil for making margarine?

Q Well, it is vegetable oil; is it not an edible oil?

A I am referring in this brief only to that part of the vegetable oil which might be utilized in the manufacture of margarine.

Q And the oil produced here is not, do you say?

A I would not say that. I do not believe that is so.

Q I think the Manitoba production is edible oil which is suitable for that, is it not, or do you know?

A I know that Manitoba edible oil production is not being used in Manitoba inthe manufacture of margarine at the present time. I would not like to enlarge on that at this particular time.

MR. MacPHERSON: You don't know what they put into margarine.

MR. EVANS: I have two or three more questions. On page 17 you have been trying there to approximate the total cost of transportation per pound of butter. I think you will agree with me that the intention there is to have that figure used in application to the 60 per cent of the butter which is exported from Saskatchewan?

A Yes and no. That is the figure which covers the 60 per cent in so far as it can be approximated. However, I would suggest that it may properly be viewed as applying to the whole for these reasons, that where additional

creamery butter produced in Saskatchewan would, of course, be sold either locally or shipped in small lots to what we call country points, small towns and villages throughout the province, the industry, lacking any means, has had - for example, they can make up mixed shipments. We ship just butter, and it necessarily moves in 25, 50, 75 or 100 pound lots I am of the opinion that possibly the most prevalent practice would be something involving 50 pounds. Of course, it comes under express there, and I believe it is correct to say that the minimum express charge is 75 cents.

Q Yes.

A So that that particular item puts the whole pretty much on a common basis, but the point I would make particularly is that there are organizations such as our own - and now I am referring to the Saskatchewan Co-Operative Creamery Association Limited - where 85 per cent or more of all creamery butter produced in a given year is exported. Therefore in the case of such an organization, these figures apply very closely to the whole. There might be a few individual creameries in the province where they are exporting as high as 95 per cent.

Q But on the average I think your brief says that about 60 per cent is exported?

A That is right.

Q I assume the other 40 per cent is consumed within the province?

A That is right, but - excuse me - -

Q I want you to finish.

A But from the producer's point of view, the 60 per cent, which is the majority of the finished product,

of course controls our operating cost position, dictates our operating cost position.

Q Oh yes, I have nothing to say about that, but I suggest to you that the transportation burden would not be the same in regard to the 40 per cent.

A I do not entirely concur. A percentage of it, that would be true, but there is another form of transportation enters into the picture on that 40 per cent, or a part of it, which is involved in the distribution of that butter back to consumers in the province. Of course, there is a percentage there handled by truck, so I would not like to make a definite statement because I am not in a position to do so.

Q You would not think it would be anything like 3.156 cents per pound average cost of transportation?

A I think it is substantially, over all.

Q Have you made a study of that?

A Yes.

Q Have you taken into account the amount that is consumed locally in Regina, Saskatoon and Moose Jaw? They must be very large consuming centres, are they not?

A They are.

Q Are there any creameries in those places?

A Oh, indeed yes, several.

Q That can produce for local consumption, and which need not have any rail transportation at all?

A Yes, but in those cases the consumer gets the benefit of the savingon freight or transportation, by and large.

Q I am not suggesting he does not. The reason I am

going into this is that you seem to have calculated that five cent transportation cost on practically all of your butter to arrive at the million and a half?

A Oh, indeed no. I am sorry I misunderstood you. That is not correct. That million and a half is based only on the 60 per cent of the total production in 1948.

Q I do not want to go into a discussion with you, but I took 60 per cent of the 34,000,000 pounds shown on Table 1, and I applied five cents, and I got 1,050,000, and not a million and a half?

A I am sorry. That figure, a million and a half, is intended to indicate moneys paid by the Creamery Industry to the railways in some form, as express on cream or transportation on butter. My figures are broken down something like this. 60 per cent of 34,000,000 pounds at 3.2 cents a pound is $655,000. Express on 50 per cent of the total cream, which figure is established in the brief at two cents per pound butter fat, remembering that all cream goes in, and that there is 20 per cent more cream than butter involved, about $500,000. Supplies, fuel and service charges going into the butter, approximately $110,000. Express on provincial shipments - those figures come to $1,265,000. I will concede that they are rough calculations. Of that $135,000 covered estimated transportation of dairy products outgoing, sold within the province or factory to consumer, which brings the figure up to $1,400,000. That is an estimate, and I think a conservative one. In those figures from there on, as indicated we simply assume that the railway revenue on the products other

than butter would approximate the revenue on butter, and as that represented half as much as butter we were entitled to add $700,000, but we did not. We added $600,000 and used the figure $2,000,000.

Q I am only interested in knowing whether you took those things into account because that did not show in your brief. I wondered whether you had considered these other aspects because you see when you arrive at the $1,500,000 all you say is that "on creamery butter alone including express on cream", and that seems to be approximately five cents a pound of production. However, let us not discuss that unless you want to. I was curious about.it.

A We took them in to the best of our ability, all of the figures.

Q Now then, would it be fair to say that 1948 for the dairy industry in the province, and from the standpoint of value of dairy production, was the highest ever experienced?

A Would you repeat the question, please?

Q Would it fair to say that from the standpoint of value of production the year 1948 was the highest in the history of the province in the dairy industry?

A I cannot answer that. I doubt it. It might be. I could obtain the answer for you.

Q Your figure on the first page of your brief indicates that the value of dairy products - and I thought you said Saskatchewan only?

A That is correct.

Q - was $55,894,000. In the report of the Department

of agriculture, which is Exhibit 7, and that part of it containing the report of the Dairy Commissioner at page 44, I see that the total value of dairy production for 1947 was the highest on record,amounting to $47,841,000, which is substantially below the $55,894,000?

A That being so --

Q You would agree with me that it was?

A If that is so I would agree with you that it was.

Q And that in turn was an increase of about 27 per cent over the previous year in value of production, was it not?

A Without access to those figures I do not care to ---

Q Would you like me to read this paragraph, and then I can ask you whether you are familiar with it. The paragraph reads:

"The total value of dairy production for 1947 was the highest on record, amounting to $47,841,000. This is an increase of $10,204,000, or 27 per cent, over the 1946 value which resulted wholly from increased prices since, as noted above, the volume was on almost exactly the same scale as the previous year."

That is the part I had in mind.

A What were those last words as to the volume?

Q The volume was on almost exactly the same scale as the previous year. That is 1946.

A What two years are being compared, 1946 and 1947?

Q Yes, they are comparing 1947 with 1946.

A Correct.

Q Then I suggest to you that, although there was a drop in the production of milk in 1948 as compared with

1947, and an increase in value which I think you will find by checking the figures was about 17 per cent, that that represents an increase in price in the commodities represented by the dairy industry?

Oh yes, I would not deny that.

Q And in view of those figures would you be inclined to use those words on page 18, that the transportation costs are an intolerable burden on the industry?

A Yes, sir, I would.

Q I suppose you would agree with me that something that is intolerable is something you cannot bear.

A Well, we often thave to bear intolerable things. I would agree with you in part.

Q Would you not agree with me that a burden such as this does not become intolerable until the industry is going to be forced into some kind of bankruptcy, or forced to close up?

A That is what is facing the industry. That is the implication of the statement.

Q You go that far?

A Yes, sir.

Q And is the industry not enjoying a reasonable profit today?

A Pardon?

Q Is the industry not enjoying a reasonable profit today?

A The industry at the present time is operating at a deficit.

THE CHAIRMAN: Q. Is what?

A Operating at a deficit.

MR. EVANS: Q. You mean the processor?

A Yes.

Q But the farmer, who is really behind the industry in your co-operative venture, is he not, isgetting a good price for his cream? Is that not so?

A Are you trying to get me shot? Excuse me.

Q Is he getting a good price for his cream?

A It would be unwise for me to express an opinion. I did in part in my statement when I said that most of us would think that a floor price of 57½ or 58 cents is a fair or satisfactory price. I would not care to go beyond that because producers in this province, of course, due to grain prices and other factors, are still backing away from cream production.

Q I gather that the farmer who is a member of your co- operative may be getting more than his share of the price received by the creamery, and the creamery itself may be too generous with the farmer, but the fact is that the industry is really not threatened by that transportation burden of half a cent a pound that you talk about?

A I consider that the industry is considerably threatened. There are other factors involved too, but to a very considerable extent it is threatened by the transportation problem presently confronting it. That is this province divorced from the sister provinces.

Q What was the price of butter in 1946 and 1947?

A I would not care to state from memory.

Q Well, it was very substantially lower than it is today?

A In part of 1947 it was higher.

Q In a part?

A In the latter part of 1947 it was considerably higher than now. That was the period from June to the end of December, and continuing for a short period in January, 1948. That was the period following the removal of the price ceiling, November, December and January, and it advanced to a considerably higher level than at present - I think approximately 71 cents east in carload quantities.

Q What would be a fair average price for 1946?

MR. MacPHERSON: We will furnish that information. I will undertake to have Mr. Turnbull get that information. He has given you an idea of the situation as he knows it in 1947.

MR. EVANS: Q. I suggest to you that the average unit price on creamery butter for the twelve month period ending March 31, 1948, was 52 cents a pound?

A I would not disagree.

Q That is page 45 of Exhibit 7.

MR. EVANS: Thank you.

THE CHAIRMAN: Q. Mr. Turnbull, you say that just now the industry is in a bad way, threatened with bankruptcy, and so on. You put the cause of that partly to transportation costs, but you say there are other factors. Would you mind telling us what the other factors are so that we will know the situation?

A A lack of interest on the part of the producer in a grain producing province, of course, in the production of cream. As production decreases with our high labour

costs and the like associated with transportation, our costs go up, and unless the producer's price or return goes up he still continues to be somewhat less interested in the production of cream than in previous years. To what extent that is going to continue in that direction I would not care to say. The end is not yet. That is as far as I would be prepared to go.

Page 818 follows

THE CHAIRMAN:

Q. Is that the only other factor besides cost of transportation?

A. And production trends; those are the two important ones. But there is a third, the price of grain, and the ease with which it may be produced relatively.

Q. That is because of the falling off of production?

A. Yes.

COMMISSIONER INNIS:

Q. Would you answer Mr. Covert's question: To the effect that low rates on grain might be prejudicial to the dairy industry?

A. No; I have not any opinion to express on that.

Q. But you came pretty near tosaying it.

A. I didn't say anything about rates on grain. I say that the price of grain in the market is a very important factor, in its influence on prices today.

MR. MacPHERSON;

Q. The farmer who produces cream works very many more months of the year than thefarmer who produces wheat.

A. Yes.

Q. And the production of dairy products means working very many days a year on thefarm.

A. That is right. The cow has not come to respect that fact.

CROSS-EXAMINED BY MR. FRAWLEY:

MR. FRAWLEY: Q. Has the question of margarine anything

to do with the bad plight of the dairy industry?

A. A very important one.

Q. Where does the margarine come from which is sold in Saskatchewan?

MR. O'DONNELL: There is none sold here!

THE WITNESS: It comes from Winnipeg, but to a greater extent from Eastern Canada; and up to the present time, from Hamilton,Toronto, the eastern industrial centres, and the city of Winnipeg.

MR. FRAWLEY: Q. Do not Canada Packers make some of it in Edmonton at their plant there?

A. I do not know about Canada Packers.

Q. You say the factors which make it bad for the dairy industry are: the high transportation costs and the losing of production due to the price of grain, and the sale of the competing product, margarine.

A. Oh, margarine caps all the rest.

Q. Would yousay that margarine is as important as the other factors?

A. It is more important.

COMMISSIONER ANGUS: Q. At page 18 of your brief you say that the prices maywell recede to 30 cents a pound. Is that a realistic forecast?

A. Based on the past, only, sir.

Q. If your industry is daring to face the contingency, with the fall in price of 27½ cents a pound, that seems to be a calamity out of all proportion, when an increase in freight rates of ½ cent a pound does not seem to be a great source of worry to you.

A. I think it quite possible - and this is a personal

opinion; I do not express this on behalf of the Saskatchewan Dairy Association - but I think it quite possible that, with the lifting of the floor which we now have, butter could sell, creamery butter, within the next twelve months at 35 cents.

Q. And could your industry continue to exist at that price?

A. We would survive after a manner in little bits and pieces, but not as a healthy industry. But the floor price factor is an important safeguard against that.

Q. It would be a very difficult business for the Transport Commission to fix the railway rates, always on the assumption that those rates must remain, even if prices dropped by 50 cents. Are you really asking us to recommend the Commission to take account of a chance of a fall in price of that magnitude? Remember, the rate can be changed; but is it a real objection to the rate today that that rate would become depressive if prices were to fall very substantially?

A. That is my view.

THE CHAIRMAN: Thank you, Mr. Turnbull.

CROSS-EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. Whatever we might say about the freight rate structure, I take it, from what you state at page 10, that you have been able to meet your competition in the butter market, both east and west, for the reasons you set out at that page.

A. Right.

Q. And you have not as yet really suffered by reason

of the freight rates in connection with your butter.

A. We have, to the extent of capital loss in adjusting our physical machines to meet these circumstances.

Q. You adjusted your plants, you merged some; and I suppose you did not throw away all your equipment?

A. Much of it stood idle for five or more years in the early 30's.

Q. But it was not destroyed or abandoned?

A. Oh, no.

Q. And, as a result of that readjustment, you have been able to produce as much or more than you were able to produce when you had all those smaller plants working?

A. The buildings were abandoned.

Q. But you decided, as a good business man, to merge two or three small plants with a bigger one which was more economically operated.

A. We did not have the money to hang on to them.

MR. MacPHERSON: They took a capital loss.

MR. O'DONNELL: Q. What you speak of, when you speak of a healthy industry, that is what you now have?

A. Yes.

Q. And your industry has, through the years, grown progressively, and is a healthy industry today?

A. I would qualify that by saying: It has developed much unhealth since, in 1949.

Q. But generally speaking, it is fair to say that you designate it as a healthy industry.

A. During the last decade.

Q. And it grew on the freight rate as it presently stands. You suggested that there should be some change

recommended by the Commission concerning rates, that it might help; and I assume you had your own case in mind, if a commodity rate were to be given you.

THE CHAIRMAN: What is that?

MR. O'DONNELL: Q. If a commodity rate were to be given him.

A. Did you make the statement that it had grown to its present size and health on the present rates? It did not! That should be qualified, because the 21 per cent increase in freight rates has not yet been absorbed in our picture in a healthy manner.

Q. We will just let that work itself out; the 21 per cent increase, the Commission can appreciate what that amounts to on a pound of butter. Now, on page 15, you suggest that a commodity rate might help things out. Is that just what you say?

A. Yes.

Q. And if you have a commodity rate, your competitor would want to have a commodity rate, and what would be fair for you would be fair to him.

A. I would not contradict that statement.

THE CHAIRMAN: To whom do you refer as competition?

MR. O'DONNELL: Manitoba is his principal competition, I think.

THE CHAIRMAN: You mean competition from other provinces?

MR. O'DONNELL: Oh yes. There are competitors in the butter industry, so what you say would be fair for you, you concede should be fair for the other fellows; and all that would happen, so far as the railways are concerned,

is that they would be carrying butter with a lower yield of return than they are getting today, and they would be that much worse off.

THE WITNESS: There would be another factor, the higher return to the producer, which would help to offset some of the other factors in the picture today.

MR. O'DONNELL: Q. But you meet your competition, and you have effectively met all competition to which you have been exposed from Manitoba; and if the commodity rate given to youshould be given to Manitoba youwould still be meeting them effectively, competitive-wise.

A. That is right.

Q. And the only people who would lose on your suggestion would be the railways, on the basis of carrying butter.

A. The railways would lose.

Q. At page 19 you have another suggestion. You say you think you would like to have your butter carried during the winter months in equipment that was less costly, thereby giving you lower rates.

A. Yes.

Q. What do you suggest the railways should do with that high-cost equipment during the other eight or nine months of the year, because you are going to move some butter in the summer. Do you suggest it should be left on the sidings?

A. We might have to do that, but I would like to think that maybe agricultural production somehow, across Canada, might require refrigerator accommodation and would be reasonably spread over the whole, and there might be some

use to which the railway might put that special equipment. If they could not, it is not too much merit, from the railways' point of view.

Q. I thought you would agree with that, because nothing needs refrigeration more than butter in hot weather.

A. That is right.

Q. Would you not agree that the railways had expended moneys to buy those refrigerator cars for the express purpose of handling your butter?

A. I would not disagree. I do not know what they are going to do with that equipment when margarine displaces butter.

Q. That is a new development. We will have to rely on the ingenuity of the railways and the butter makers to take care of that one. You mentioned at page 13 about maximum carloading orders and the Transport Controller of Canada. Is it your suggestion that such regulations as then applied, during the war, should be reimposed?

A. Not necessarily. I am citing the development at that time as indicating that our experience in those years tended to show that they could work, and, as theyyielded savings for somebody, we would like to see them continue, in a democratic manner, and the producers get the benefit of the saving.

Q. You may be a little outnumbered as to "in a democratic manner" because you know there was considerable complaint about those regulations, and there was complaint that they be taken off; and the request was put forward by some of theprovinces, possibly the one you are interested

in.

A. However, there was another factor involved. The Dominion Government was faced with a shortage of butter. They were trying to make too little go too far; and these large cars proved a handicap in distribution. So that led to a request from several groups - it was only indicated - that to reduce the minimum loadings would make some contribution towards facilitating the distribution.

Q. Is it your suggestion that a recommendation should be made that something in the nature of these minimum car - loading orders should be reimposed?

A. No, sir. My recommendation or suggestion to the Commission is: That consideration might well be given to a two or three rate structure, throughwhich those people, able and willing to ship larger cars might obtain the economic benefits in doing so through lower rates.

MR. O:DONNELL: That is all. Thank you.

MR. MacPHERSON: Thank you Mr. Turnbull.

MR. COVERT: I notice it is ten minutes before the closing hour.

THE CHAIRMAN: And the next brief is what?

MR. COVERT: The Saskatchewan Coal Mine Operators.

THE CHAIRMAN: Well then, due to the shortness of the time we will adjourn now instead of at one o'clock. We shall resume at 2.30.

- - At 12.50 p.m. the Commission adjourned to meet again today at 2.30 p.m.

Regina, Saskatchewan,

June 7, 1949

AFTERNOON SESSION

MR. COVERT: The next submission on the agenda is that of the Saskatchewan Coal Mine Operators, to be introduced by Mr. W. W. Lynd, K.C.

MR. LYND: I will call Mr. Nord.

F. H. NORD, called

EXAMINED BY MR. LYND:

Q. Mr. Nord, you are a director and manager of the Great West Coal Company Limited?

A. That is correct.

Q. In what business is this company engaged?

A. Producing, mining and wholesaling ---

THE CHAIRMAN: Q. Producing what?

A. Producing and wholesaling coals.

MR. LYND: Q. Where does the production of the coal take place?

A. We have two mines in the province of Alberta, in the Drumheller Valley, and one mine in the Saskatchewan coalfields, located at Taylorton, Saskatchewan.

Q. Are these mines operated under the name of the Great West Coal Company Limited or under other names?

A. The mines in Alberta are operated under the name of the Rosedale Collieries Limited. The mine in Southern Saskatchewan is under the name of the Western Dominion Coal Mines Limited. Both companies are wholly

owned by the Great West Coal Company.

Q. And how long has the Great West Coal Company been in existence:

A. Over forty years.

Q. How long have you been associated with that company?

A. Approximately thirty years.

Q. And how long have you been engaged in the wholesaling of coal?

A. Approximately thirty years; about the same length of time.

Q. In what places have you been engaged? I mean, have you been all that time in this part of Canada?

A. In Western Canada.

Q. In Western Canada?

A. Yes.

Q. Now, you are submitting, on behalf of the coal mine operators of Saskatchewan, or at least those operators in what is generally known as the Bienfait-Estevan area, submissions to this Commission?

A. That is correct.

Q. Would you kindly now read the submissions?

A. The Coal Mining Industry in Saskatchewan, or in that part of the North West Territories which is now Saskatchewan, has existed for more than fifty-seven years. It is one of the most important industries of a province in which there are few industries in comparison with the other provinces of the Dominion.

That the Province recognizes the coal industry as a very important one is emphasized by its brief to the Royal Commission on coal. At page eight (8) of the printed brief

it is stated:

> "The Saskatchewan coal mining industry has through the years provided a distinct service to the citizens of the Province. It has made available a cheap fuel in an area where extreme climatic conditions make fuel costs an essential and important item in the family budget. The industry has also played an important part in alleviating the critical fuel situation during the war years by increasing the output of coal from 960,000 tons in 1939 to 1,664,207 tons in 1943. Many times Saskatchewan mines supplied emergency calls for coal which other fields could not take care of."

Dependent on further industrial development in those parts of the Province of Saskatchewan and in Manitoba where the chief markets for the coal are now found, and dependent on further substantial investments in the development of the industry and in equipment that will make for a more scientific and economical use of the fuel, it can confidently be expected that the production will continue to increase steadily but very gradually wih recessions that could be brought about by economic conditions.

The growing importance of the industry can be gathered from the following figures which show the annual production of coal in Saskatchewan from the yeas 1890 to the present time.

Q. Now, Mr. Nord, the figures are in there, and it will not be necessary for you to read those; take them as read. In the brief or in the submission the production for the years 1947 and 1948 are not included?

A. That is right.

Q. And you now supply those figures?

A. Th se figures are from the records of the Dominion Bureau of Statistics. The production of the Saskatchewan coalfields in 1947 was 1,571,147 tons. In the year 1948, 1,588,484 tons.

Saskatchewan Coal Production

(Taken with the exception of the production for the years 1945 and 1946 from the brief presented by the Province of Saskatchewan to the Royal Commission on Coal at Regina on April 19th, 1945 - Page nineteen (19). Production for the years 1945 and 1946 are taken from the records of the Dominion Bureau of Statistics.)

Year	Short Tons	Year	Short Tons
1890	200	1933	927,343
1895	15,769	1934	909,288
1900	40,500	1935	919,477
1905	107,596	1936	984,778
1910	181,156	1937	1,049,348
1915	240,107	1938	1,022,166
1920	335,222	1939 (strike)	960,000
1921	335,632	1940	1,097,517
1922	382,437	1941	1,322,763
1923	438,100	1942	1,301,116
1924	480,966	1943	1,664,207
1925	469,686	1944	1,393,092
1926	451,077	1945	1,532,995
1927	472,182	1946	1,522,207
1928	464,428		
1929	580,189		
1930	557,939		
1931	658,902		
1932	887,953		

Particulars of the production in the years 1947 and 1948 will be later furnished.

Location of the Coal Fields of Saskatchewan

There are three coal mining areas in the Province of Saskatchewan, namely, the Souris Valley area, the Wood Mountain-Willow Bunch area and the Cyprus Hills area.

The most highly developed coal area in the Province of Saskatchewan is the Souris River coal area, and the production of the other two areas referred to is very small and is almost entirely used locally for domestic consumption. It will be unnecessary to particularly refer to those two areas further.

The greatest development in the Souris River coal area has taken place in an area comprising six to eight townships extending South and East of the Town of Estevan and including the Villages of Bienfait, Shand, Roche Percee, Taylorton and Pinto. This is the principal coal producing district of the Province and is served by both the Canadian Pacific Railway Company and the Canadian National Railway Company. This district produces 97% of the coal produced in the Province.

(Page 829 follows)

QUALITY OF SASKATCHEWAN COAL

All the coal found and produced up to the present in Saskatchewan is of the Lignite variety. The Dominion Bureau of Statistics in Coal Statistics of Canada, 1942, compares the heating value of Western Coals as follows:

> "Saskatchewan Lignite 6,500 to 7,500 British Thermal Units per lb; British Columbia and Alberta Bituminous grade 1, 14,000 B.T.U.; grade 2, 13,000 B.T.U.; grade 3, 11,000 to 12,000 B.T.U.; Alberta and British Columbia Sub-Bituminous 10,000 to 11,500 B.T.U.; and Alberta and British Columbia Lignite domestic 7,500 to 10,000 B.T.U.
>
> Reducing these figures to average values, a comparison is obtained indicating the amount of Saskatchewan Lignite required to equal the respective heat unit values of Alberta and British Columbia.

		Heat Value Ratio	
Alberta & B.C. Coals	Average B.T.U.	Alberta and B.C.	Sask. Lignite
Bituminous Grade 1	14,000	1	2.
" Grade 2	13,000	1	1.85
" Grade 3	11,500	1	1.64
Sub-Bituminous	10,750	1	1.53
Lignite	8,750	1	1.25

Taken from page 9 of the Brief of the Province to the Royal Commission on Coal.

The brief adds:

> "It follows from the foregoing figures that to deliver to the consumers coal with an equivalent amount of heat units, Saskatchewan producers must mine, prepare, handle and pay the freight on two tons

of coal to equal the highest grade Bituminous and one and one-quarter tons to equal the lower grade coals produced in the Alberta coal fields."

"The value of the commodity as a factor affecting the level of freight rates is closely allied to the value of the service, since generally speaking the higher the market value of an article the greater the value of the transportation service."

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MARKETS FOR SASKATCHEWAN COAL

The area in which the coal produced in Saskatchewan finds its main markets for both domestic and industrial uses can be roughly defined as that area in Saskatchewan south of the main line of the Canadian Pacific Railway and extending from Moose Jaw on the west to the Manitoba boundary, and in the Province of Manitoba and the western part of Ontario.

DOMESTIC AND INDUSTRIAL FUEL

Originally all the coal that was produced was for domestic use, but throughout the years, the situation has very materially changed until today about 75 per cent of the coal is used for industrial purposes, and the remaining 25 per cent for domestic use. Generally and broadly speaking 60 per cent of the production goes into the Province of Manitoba and the western part of Ontario, and 40 per cent is consumed in the province of its origin.

COMPETITION

In so far as coal is concerned, the strongest

competitor both in Saskatchewan and Manitoba is Alberta coal. That was found to be a fact by the Royal Commission (Honourable Mr. Justice Turgeon of the Court of appeal of Saskatchewan) on the coal mining industry in the Province of Saskatchewan in the report of the Commissioner dated the 30th day of March, 1935. That finding is still true.

Again the Brief of the Province of Saskatchewan to the Royal Commission on Coal might be in part quoted. On page 17 of the brief it is stated:

> "Saskatchewan coal is all lignite but in spite of the handicap of a low ranking fuel, if it were not for the disadvantage imposed by geographical location of deposits in close proximity to the higher ranking fuels of Alberta and British Columbia, the coal reserves of Saskatchewan would be of far greater importance both provincially and nationally."

TRANSPORTATION OF COAL TO DESTINATION

Apart from coal used locally and what small amount is transported by trucks which is now negligible, the coal produced is transported over the rails of the Canadian Pacific Railway Company and the Canadian National Railway Company and, in consequence, freight rates are of primary importance, both to the producers and consumers.

INVESTMENT

Large sums of money have of necessity been spent in the development of the Saskatchewan Coal Mining Industry and those who invested their money in the field did so having in mind the geographical position of the field and the markets available for the coal.

Any dislocation of that geographical position by a

discriminatory freight rate increase would result in the destruction of the foundation on which these investments were made and on which the investors who supplied the capital have the right to rely.

THE SUBMISSION

It was reported in the press that on November 28, 1946, while he was still Chairman and President of the Canadian Pacific Railway Company, Mr. D. C. Coleman at Saint John, New Brunswick, at a luncheon arranged by the Saint John City Council, stated:

> "British Tribunals laid down two principles which should always be borne in mind. One is that railway rates should be based on what the traffic can afford to bear. The other principle was that any producing or trading centre was entitled to the advantage of its geographical location and its proximity to markets, but that railway rates could not generally be adjusted to relieve such a centre of its geographical disadvantage."

With those principles we are in agreement, but the flat increase of 25 cents per ton on freight rates on coal recently granted not only disregards, but absolutely violates the second principle set out. For much lesser mileage the same rate is being imposed on Saskatchewan Lignite Coal as is being imposed on coal of a much higher quality transported distances which in some instances are three times as long.

Attached hereto is a table showing the shipping points of coal produced in Saskatchewan and in Alberta and the mileages from such shipping points to the main markets in the area which has been referred to, and the

freight rates per ton in existence prior to increase of 25 cents per ton from the shipping points to these markets. It will be apparent that the flat rate per ton applied on all coals irrespective of their place of origin or of the mileage from the place of origin to the markets referred to or to their heating values, in effect disturbs the geographical position of the chief Saskatchewan Coal Mining Fields to the disadvantage not only of those who have invested large sums of money in the development of the field, but to the consumer as well, whose interests must be a prime consideration.

It will be obvious from what has been said that the main markets for Saskatchewan Lignite are to be found within an area where the maximum freight rate was $2.30 per ton. That area will of necessity be very definitely contracted by the increase that discriminates against Saskatchewan Coal and that will result by applying the flat rate per ton increase.

The Inter-State Commerce Commission, by an Order issued December 21, 1946, effective January 1, 1947, gave permission for carriers inthe United States of America to increase their charges and it is significant that the increase on lignite coal was only one-half of the increase granted with respect to higher ranking fuels.

As will be shown from the Table heretofore referred to, an increase granted on a tonnage basis, is unfair, inequitable and discriminatory and by applying the same rates of increase per ton on coal produced in Saskatchewan as to coals produced elsewhere and transported longer distances into the markets for Saskatchewan coal

for the following reasons:

(a) Because of difference in mileage, between the points of origin to competitive markets.

(b) Because of the difference in the existing freight rates the flat rate per ton applied is a greater percentage of the lower freight rate than of the higher freight rate.

(c) Because of the difference in heating value between Saskatchewan Lignite and the higher ranking coals with which it comes into competition.

Page 835 follows

It is submitted that:

(a) the increase in freight rates on Saskatchewan coals should be proportionately less than the increase in freight rates on coals transported longer distances.

(b) by reason of the quality of Saskatchewan Lignite coal the increase in rate imposed should be cut in half in accordance with the principle recognized by the Inter-State Commerce Commission.

Every effort has been made to eliminate from this presentation any controversial issue. We are relying on facts and the geographical position of the coal fields. We are asking for no privilege or advantage over anyone, neither competitor nor shipper. We recognize that many interests other than ours have to be considered.

This brief is submitted on behalf of the undermentioned Producers, whose production represents at least 90 per cent of the coal produced in the province:

Harry Banks

Eastern Collieries of Bienfait Limited

Havannah Collieries Limited

Jenish Bros.

Manitoba and Saskatchewan Coal Company Limited

Roche Percee Coal Mining Company Limited

Western Dominion Coal Mines Limited

PPING POINT	DESTINA-TION	MILEAGE	RATE	DESTINI-TION	MILEAGE	RATE
nfait	Moose Jaw	152.9	$1.90	Regina	180.7	$1.90
evan	"	144.3	1.90	"	143.2	1.90
ie Percee	"		1.90	"		1.90
nheller	"	394.1	3.10	"	434.2	3.40
bridge	"	359.1	3.00	"	400.7	3.10
levue	"	443.0	3.40	"	484.6	3.70
crest	"	443.6	3.40	"	485.2	3.70
rmore	"	447.3	3.40	"	488.9	3.70
man	"	450.9	3.40	"	492.5	3.70
el	"	472.8	3.60	"	514.4	3.80
ie	"	496.1	3.70	"	537.7	3.90
nton	"	497.2	3.60	"	484.1	3.70
spur	"	668.6	4.60	"	655.5	4.60
lers	"		4.00	"		4.10
lan	"		4.10	"		4.20
'ait	Brandon	155.7	1.90	Winnipeg	282	2.30
an	"	164.3	1.90	"	290.6	2.30
Percee	"		1.90	"	300.9	2.30
eller	"	656.3	4.40	"	782.1	4.70
ridge	"	624.0	4.20	"	757.1	4.70
vue	"	707.9	4.70	"	841.0	5.10
rest	"	708.5	4.70	"	841.6	5.10
more	"	712.2	4.70	"	845.3	5.10
an	"	715.8	4.70	"	848.9	5.10
l	"	737.7	4.80	"	870.8	5.20
e	"	761.0	4.80	"	894.1	5.30
ton	"	706.4	4.70	"	793.4	4.70
pur	"	877.8	5.20	"	964.8	5.20
ers	"		5.00	"	949.3	5.20
in	"		5.10	"	967.1	5.20

e mileages taken from C.P.R. No. W100A, "Official Freight Distance
e' and C.N.R. No. W100B, "Official Freight Distance Table", and freight
s from C. N. R. No. W260C, "Special & Competitive Local & Joint Freight
f' on Coal & Coal Briquettes" and from C.P.R. No. W-95-A, "Special
metitive Local Joint & Proportional Freight Tariff Coal, Coal
e ings, coal slack and coal briquettes, carloads."

MR. LYND: Q. Mr. Nord, attached to your submission is a table which is referred to in your submission?

A. That is correct.

Q. And it is part of your submission?

A. Yes.

Q. And that table contains the points of origin, the markets, the places, the mileage and the rates.

A. The freight rates prior to the increase.

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: Q. In connection with the figures which you supply, for the years 1947 and 1948, were there any strikes, coal mine strikes?

A. Yes, sir. There was a strike in the field in 1948, which commenced, I believe, about November 7th or November 8th.

Q. How long did that strike last?

A. That strike lasted until January 10th, I believe.

Q. Were there any in 1948, except a continuance of the 1947 strike, the December, 1947 strike?

A. The strike was in 1948, November 1948, about the 6th or 7th of November.

Q. And that lasted until when?

A. About January 10th, 1949.

Q. Have you taken up that case with the railways, or the Canadian Freight Association, or the B.T.C?

A. No, sir!

Q. You have not?

A. No!

Q. Well then, the gist of your case, I think, is found

at the bottom of page 6 and the top of page 7 of your brief; and I take it what you object to is a flat increase per ton, regardless of the quality of the product or the length of the haul.

A. That is correct.

Q. You would quarrel with that principle of raising the rates?

A. It is a matter of principle with us.

Q. Do you feel it is not a principle of the law as it now stands? Don't you think, if you took this matter up with the Board of Transport Commissioners, you might get some remedy?

A. We have already submitted a brief to the Board of Transport of Commissioners.

Q. Oh, youhave? I must have misunderstood you. I asked you first, if you had taken up this particular difficulty with the Board of Transport Commissioners.

A. I understood you to say the railroads.

Q. I asked you: Railroads or Canadian Freight Association or Board of Transport Commissioners.

A. We submitted a brief to the Board of Transport Commissioners.

Q. Then your suggestion, I take it, is what?

THE CHAIRMAN: May we be told what became of that submission to the Board?

MR. COVERT: Q. Would you tell us what happened to your submission to the Board of Transport Commissioners?

A. The Board of Transport Commissioners granted an increase, a flat increase, of 25 cents per ton on all coal, covering Canada, the entire country.

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Q. You made this same submission to the Board of Transport Commissioners, and you say that they paid no attention to it?

A. Apparently.

Q. At the time was there a suggestion that there should be a flat per-ton increase, when the matter came before the Board of Transport Commissioners?

A. The original request of the railroads, as I recollect it, was for a 20 cent per ton increase up to $1 rate, or $1.01 to $1.50; 30 cents per ton over $1.50 rate, and 40 cents per ton -

Q. That would be a gradual increase?

A. A gradual increase, but on a flat per ton basis.

Q. I take it that you believe that a flat increase per ton, regardless of the length of the haulage, that that would bring to you a discrimination?

A. That is correct.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. FRAWLEY

MR. FRAWLEY: Q. As I understand it, the Board of Transpor Commissioners conducted their regional hearings in 1947 and in this very court room you appeared and presented your objection to the grant of a horizontal increase that was being proposed by the railways at that time.

A. That is right.

Q. And you felt that there should be some discrimination by the Board in connection with the Alberta coal which had a higher quality than yours and against which you compete in the same market, namely, the Winnipeg market.

A. I would not say a discrimination. We felt, in

HH

principle, that the basis of freight rates - that is, probably the two most important reasons for freight rates, that the Saskatchewan fields would be discriminated against in comparison to Alberta if the rate was on the straight horizontal basis for everybody on the same basis.

Q. But you are quite ready to use that word discrimination; you felt that the Board should have regard to that difference in B.T.U. value of your coal as against Alberta coal in giving an increase?

A. That is right.

Q. You felt that you and Alberta who were transporting British thermal units should be treated differently.

A. That is right.

Q. Alberta coal does compete in the Winnipeg market against your coal.

A. That is right.

Q. And the distance to be travelled is much greater in the case of the Alberta coal.

A. That is right.

Q. And the distance to be travelled is greater, much greater, in the case of Alberta coal.

A. Yes.

Q. And by and large the cost of mining in Alberta is greater?

A. Well, yes, possibly.

Q. And the greater proportion of Alberta coal which gets into Manitoba is strip-mined?

A. I think there is a considerable mileage of shaft-mined coal which gets into the market.

HH

Q. Yes, partly shaft but mostly strip.

A. Mostly strip.

Q. Mostly strip in the Manitoba market.

A. There are strip mines in Alberta and they are becoming more prominent all the time in the market, and they also compete in the Manitoba and Winnipeg market.

Q. Only mine strip operations are getting down into Manitoba now.

A. Definitely.

Q. Against your coal.

A. That is right.

Q. The quality though, does it get on a par with yours?

A. It is a higher quality of coal.

Q. Higher quality than your strip coal?

A. That is right.

Q. So your point is, not having regard to the difference in quality, but you say that the amount is a disturbance of your geographic advantage. You say that the failure of the Board to recognize a difference in quality of the coal, in effect, disturbs the geographic advantage which you think you should have.

A. Or the reasons necessary to sell the coal at the lower price.

Q. And you felt that the same increase, on the Saskatchewan coal - you felt that was a failure to realize the justice of your claim?

A. That is right.

THE CHAIRMAN: Has anybody else got any questions?

HH

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. What you complain about is when you were here before the Board of Transport Commissioners it was proposed to put a flat increase on coal, and you felt the increase should be horizontal, as it was in the case of every other commodity for which an increase had been requested.

A. No, we did not attempt, according to my recollection, to tell the Board of Transport Commissioners what type,or how they should raise the freight rates.

Q. No, but it was on coal. You indicated to the Board of Transport Commissioners that a flat increase that the railways had asked for in respect to coal, was not the way to handle the situation. Isn't that right?

A. I do not recollect any objection.

Q. The railways had asked for a flat increase of 20 cents, 30 cents and 40 cents on the ton, depending on the rate.

A. That is right.

Q. And you did not want the increase to be handled in that way?

A. No. We had no objection to whether it was handled as a flat rate increase or a percentage increase, so long as our geographic position is not disturbed.

Q. That is what you are principally interested in?

A. Yes.

Q. You say that any geographic advantages which you have should be preserved for you?

A. That is right.

HH

Q. As a matter of fact you have a lower scale of rates from Saskatchewan mines than prevail with respect to Alberta mines.

A. A lower freight rate into the market.

Q. Yes.

A. Our freight rate is lower because the mileage is shorter.

Q. Yes, but apart from mileage you are nearer Winnipeg than Alberta.

A. Right.

Q. And apart from that you have a lower scale of rates than Alberta.

THE CHAIRMAN: Q. Is that a matter of fact which is being admitted?

A. No, I cannot agree to that.

MR. O'DONNELL: We will have to let the Commission - - -

THE CHAIRMAN: What are the facts?

MR. O'DONNELL: It is a fact as I understand it that there is a lower scale of rates for Saskatchewan coal than there is for Alberta?

THE CHAIRMAN: Is that shown in this sheet annexed to this brief?

MR. O'DONNELL: I do not think it is, Mr. Chairman. The scale does not show there. But, for instance, 25 miles the Saskatchewan coal rate is $1.25; and the Alberta coal scale is $1.35.

THE CHAIRMAN: For 25 miles.

MR. O'DONNELL: Yes. And it goes on right down through to 700 miles where the Saskatchewan coal scale is

$4.45, while the Alberta scale is $4.85. So Saskatchewan is less than Alberta by 40 cents.

A. But 700 miles is away beyond our market.

Q. What is your market? What distance is it from Winnipeg.

A. 282 miles, I think.

Q. Well, for 250 miles, the Saskatchewan scale is $2.45, and the Alberta scale is $2.75. For 300 miles the Saskatchewan scale is $2.85, while the Alberta scale is $3.05. I have not got the 280 miles exactly.

A. Our principal markets are the cities of Winnipeg, Regina, Brandon and Moose Jaw.

Q. Furthermore, the Saskatchewan coal operators, have they not an agreed charge?

A. That is correct.

Q. Certain of them who were not applicants in the original agreed charge have now had the same benefits extended to them through a fixed charge.

THE CHAIRMAN: A fixed charge and an agreed charge are the same thing.

MR. O'DONNELL: So I understand,Mr. Chairman. A fixed charge was originally initiated, and then it was open to any others who wished to come in and then make application for a fixed charge.

COMMISSIONER INNIS: Was it after the increase?

MR. O'DONNELL: Yes. The tariff presently in force is Supplement Four to Tariff CTC (AC)17, and it became effective April 8, 1948, the day on which the 21 per cent increase came into force.

MR. MacPHERSON: But there was an agreed charge in force before the increase.

MR. O'DONNELL: Yes, I agree; and as I understand the Commissioner's question, it was whether or not agreed charges had got, at the present time, the 21 per cent increase; and my answer is that they have; and the day it became effective, a new agreed charge tariff effective April 8, 1948, was likewise issued.

COMMISSIONER INNIS: Q. How did it differ?

A. Only to the extent that the 21 per cent increase is incorporated into it, or rather the 25 cents a ton.

Q. And the extension to other coal operators came later?

MR. O'DONNELL: No, this one goes back to 1940. That CTC(AC)17 was effective December 16, 1940. Subsequent to that there were fixed charges in different years, 1942 and 1945; and then, when the general increase of 21 per cent came into effect all those agreed charges had to be adjusted. proportionately, and it was done through the increase of 25 cents a ton, which the Board had authorized, and a new tariff was issued.

THE CHAIRMAN: Did you say 25 cents a ton?

MR. O'DONNELL: Yes, Mr. Chairman. The railways had asked for the following amounts, 10 cents, 20 cents, 30 cents or 40 cents, but theBoard, instead of granting the increases as applied for gave one increase for coal and coke of 25 cents per ton and the present agreed charges,including fixed charges,have these increases included in them.

COMMISSIONER INNIS: I was wondering as to the date. I understood that certain other mines had been brought in.

MR. O'DONNELL: They came in in the interval. For instance, here this was effective the 17th of February 1942, and there were certain companies to which the agreed charge previously was extended. We have an application here referred to on the back of Supplement 1, to that tariff which I mentioned a moment ago whereby the South Cambrian of Winnipeg made an application, and also we have the Lignite Coal Mines Limited. But, at the present time, on this agreed charge, which became effective at the latest date I mentioned, April 8, 1948, it applies to all the companies listed on the face of the tariff, about ten companies.

THE CHAIRMAN: When you talk of an increase of 25 cents per ton is that irrespective of distance, or what is it?

MR. O'DONNELL: On the rates which were in force at the time; the increase was allowed, those rates were authorized to be increased by a flat amount of 25 cents per ton.

THE CHAIRMAN: The rate from Estevan to Winnipeg, with a mileage of 296, was $2.30.

MR. O'DONNELL: Yes.

THE CHAIRMAN: And does that make it $2.55?

MR. O'DONNELL: That is right, Mr. Chairman., and the members of the Commission will see in Board Order 70425, that the order gave effect to the 21 per cent increase; and that item 3 of that Order authorized the rates on coal and coke to be increased by 25 cents a ton. It is item 3 of that particular order.

Page 855 follows

THE CHAIRMAN: I suppose that is where Mr. Nord finds a disadvantage.

THE WITNESS: That is correct, sir.

THE CHAIRMAN: Q. Because when you add 25 cents on to the shorter haul it bears more heavily than 25 cents on the longer haul?

A. That is correct, sir.

MR. O'DONNELL: But I was just pointing out to Mr. Nord, Mr. Chairman, that on the scale of rates itself Saskatchewan coal had been given a differential and had a lower scale of rates than applied in Alberta.

THE WITNESS: Well, I do not agree with that.

MR. O'DONNELL: Q. Well, you do not agree; that is quite all right; I am just given the information, and I have read off a number of those rates, and they appear, as read at least, to bear out what I say. However, that is something the Commission will undoubtedly verify to its own satisfaction. Last year I take it, Mr. Nord, that, despite the strike to which reference was made, your coal production value was the highest on record, was it not?

A. It is not the highest on record, sir; 1943 was the highest on record.

Q. Well, that is tons; I am talking about value. On that point I merely read this extract from Exhibit 6, which is the budget speech of the Treasurer for the Province of Saskatchewan this year; under the heading on page 7 "Record Coal Production Values", the following appears:

"The present estimate of $3,000,000 would appear to indicate that an all-time record for coal production value has been achieved in 1948,despite the fact

that a labour dispute temporarily closed down mines which normally produce 40 per cent of Saskatchewan's coal output."

You are not in a position, I take it, to disagree with that?

A. I cannot disagree with it.

Q. Now, with respect also to this Alberta coal to which my friend Mr. Frawley referred, you indicated that that coal was operated through shaft mining?

A. Principally shaft mining.

Q. And that is a much more costly operation than open-pit or stripping such as you do, is it not?

A. Yes, we have found it that way.

Q. You indicated that open-pit mining was coming more into vogue and was more profitable, I take it?

A. It is becoming more in vogue principally in Alberta; it is already in vogue in Saskatchewan.

MR. O'DONNELL: My lord, this might be a matter of interest to the Commission if I could put on the record two short paragraphs from another official publication of the Province of Saskatchewan, which is the Annual Report of the Department of Natural Resources and Industrial Development for the fiscal year ending March 31, 1948. I might produce a copy of that also as Exhibit 8.

EXHIBIT NO. 8 -- Annual Report of the Department of Natural Resources and Industrial Development, Province of Saskatchewan, for fiscal year ending March 31, 1948.

MR. O'DONNELL: On page 46 appears the following, under the heading:

" STATISTICAL SUMMARY OF THE MINERAL INDUSTRY
COAL

"Coal production for the fiscal year ended March 31, 1948 amounted to 1,713,248 short tons, the greatest tonnage for any fiscal year to date. As the fiscal year 1946-47 was changed to end on March 31 instead of April 30, the production, for purposes of comparison with previous years, is seen by comparing figures for calendar years. On this basis annual coal production may be compared as follows: 1945 - 1,535,356 tons; 1946 - 1,522,720 tons and 1947 - 1,570,697 tons. The increase in tonnage during the past fiscal year may be attributed in part to the additional demand for coal arising out of strikes occurring in the Alberta and British Columbia coal mines during the past winter.

"More than eighty per cent. of Saskatchewan coal is mined from open pits and the tendency is toward increasing use of this method of mining. The higher costs and lower returns to operators mining coal by underground mining methods is gradually forcing the shaft mines to close or turn to strip mining. Open pit mining is more profitable than shaft mining as production costs per ton are considerably less. As long as coal lands suitable for stripping operations are available strip mining will continue to increase and, in time, may entirely replace deep seam operations."

THE CHAIRMAN: Would you call that an economic advantage which that coal field has?

MR. O'DONNELL: Well, I think that that possibly may be. Mr. Nord's contention is that stripping operation is the more economical one than the Alberta one.

Q. Is that right?

A. It enables us to sell our coal at a low price, to compete in the available markets; otherwise we could not compete.

Q. You sell a lot of your coal in Winnipeg, do you not?

A. Yes.

Q. It has a tendency to burn a long time, has it not?

A. Well, it has when there is no draught.

Q. Isn't there some special feature with respect to its long-burning aspect that makes it sought after more than other coals which burn a little more rapidly?

A. Not particularly, but on a closed draught basis it will hold fire for a very long period of time. When your draughts are open your coal burns probably slower, a little slower than Alberta coal.

Q. With mechanical stokers and that kind of thing isn't it easier to handle?

A. It is not easier to handle than any other coals, providing they are clean and suitable for stokage.

Q. What is the current price for your coal?

A. That is, at the mine?

Q. Yes; that is the way you sell it, is it not? You sell f.o.b. mine?

A. We sell f.o.b. mine.

Q. What is the price now?

A. $2.00 per ton.

Q. $2.00 per ton?

A. That is correct.

Q. Do you know what the Alberta coal is?

A. Well, competing stoker coals in Alberta will run approximately $6.50.

Q. And the difference in price there is due, I assume, possibly, in part at least, to the great difference in operational cost?

A. Some difference from that, and also the value is higher.

Q. Thank you very much, Mr. Nord.

MR. SINCLAIR: I do not want to ask any questions, sir; all I want to do is to draw the Commission's attention to the fact that Saskatchewan coal operators have put practically the same submission before the Board here in Regina in the 30% case, and I would refer the Commission to pages ---

THE CHAIRMAN: What is the volume to which you are referring?

MR. SINCLAIR: It is volume 759 of the transcript in the 30% freight rate case, pages 7628 to 7572. I believe that Mr. Nord stated ---

THE CHAIRMAN: Did you say pages 7628 to 7572?

MR. SINCLAIR: The brief is from 7628 to 7639, and then there was some cross-examination, and I believe Mr. MacPherson had another witness in there, but the brief itself is 7628 to 7639, and I would draw attention particularly to page 7638 of the transcript in the 30% case, in which

the exact statement, word for word, is made as at page 6 of this brief. The exact statement was made to the Board in the 30% case, and I would submit that that would show that the question of a flat increase in cents per ton was a matter that was definitely before the Board by the same party now making the submission to your Commission.

MR. FRAWLEY: There is certainly no question about that.

THE CHAIRMAN: Is there anything else?

MR. MacPHERSON: There are just one or two questions I wanted to ask Mr. Nord.

RE-EXAMINED BY MR. MacPHERSON

Q. Mr. Nord, can you tell the Commission what the known coal reserves are in the Souris Valley district, for instance?

A. I am afraid I cannot; there have been so many different estimates made.

Q. Well, what would be a reasonable estimate as to the coal reserves in that Souris Valley district, so we will have some idea as to their importance economically?

A. Well, I would say that there was easily about a billion tons of coal there.

Q. A billion tons of coal.

THE CHAIRMAN: There was an estimate made of that expertly some years ago.

MR. MacPHERSON: Yes, I know. I thought that probably the witness might know.

THE WITNESS: No.

THE CHAIRMAN: I think it was more than that.

MR. MacPHERSON: I think it was, but I will try to get that information, because the point is, I wanted to get to the Commission the information that this is an important ---

THE CHAIRMAN: I think you will find it in that report.

MR. MacPHERSON: Of yours, yes; I think so, my lord.

Q. Then there is one other question. You were cross-examined in connection with a strike; your own company was not out on strike?

A. That is correct; we operated with the exception of eight days. The Western Dominion Coal Mines was closed down eight days, and operated continuously from there on.

Q. And you are the largest operator in the field?

A. We are the largest operator in the field, producing well over 60 per cent of the production.

MR. LYND: Mr. Chairman, might I be permitted to ask Mr. Nord one question arising out of this agreed charge?

THE CHAIRMAN: Yes, of course.

MR. LYND: Q. Mr. Nord, that agreed charge only applies to a certain area, does it not?

A. That is correct.

Q. And the purpose of that was to overcome the competition from trucks?

A. That is correct. The area would approximate about a radius of 75 miles at the outside.

Q. From the mine?

A. From the mine.

Q. So it has no application whatever to coal going into the market where you have competition with the Alberta field?

A. That is right.

CROSS-EXAMINED BY MR. FRAWLEY

Q. You do find that agreed charge quite a help, do you?

A. In the old days when truck competition was very keen, yes, definitely.

Q. You know there are no agreed charges in the Alberta fields?

A. I am not familiar with that, Mr. Frawley.

THE CHAIRMAN: Well, that seems to be all, Mr. Nord.

THE WITNESS: Thank you.

THE CHAIRMAN: What is the next submission?

MR. COVERT: The next submission is the Saskatchewan Homemakers' Clubs.

MR. MacPHERSON: Mrs. Wade.

MRS. MARY C. WADE, called

EXAMINED BY MR. MacPHERSON

Q. Mrs. Wade, you are presenting a brief on behalf of the Saskatchewan Homemakers' Clubs?

A. Yes.

Q. Now, how many of these clubs are there in the Province of Saskatchewan?

A. There are around 365 clubs.

Q. With a membership of how many?

A. 6,500; and at the national level we are affiliated with the Women's Institutes of Canada. What are the Women's Institutes in the other provinces are the Homemakers' Clubs in Saskatchewan.

Q. Now, are these clubs largely rural or urban?

A. They are rural. There might be the odd club in a city; it is usually composed of rural women who have made their homes in the city; but in the main our membership is rural women.

Q. Now, Mrs. Wade, where is your own home?

A. I live at Glenbush, fifty miles north of North Battleford, but I have lived in the south of the province.

Q. About how far from Regina?

A. Three hundred miles at least.

Q. Three hundfed miles from Regina. Now, you have prepared a brief which you wish to submit to the Commission; would you please read it now, Mrs. Wade?

MRS.WADE: Mr. Chairman, we, the Saskatchewan Homemakers' Clubs, with a membership of 6,500, the largest organized group of women in the Province, representative of much of the purchasing power of rural Saskatchewan, wish to present to your Commission some of the views of our members with regard to the economic and geographic disadvantages under which the residents of Saskatchewan find themselves with regard to freight rates. We wish also to point out the inequalities of the present rates. So prominent are the railways in the economic life of our country, that they reach out to every home in the land. We remember that agricultural settlement was made possible by the railroads, and we recognize that railroads can mean the difference between a good standard of living, or a sub-marginal standard, because speed in getting primary products, such as live stock, and perishables to markets is all-important.

In Saskatchewan, no matter how efficient the highway system, the need for rail transportation is in no way lessened. Saskatchewan has always carried a heavy load of transportation costs. The farmer is both a producer and a consumer; he must purchase from Eastern Canada or the United States the equipment and machinery with which he operates. In either case, there is a long freight haul. Then his products have to be shipped out to distant markets, and usually in competition with producers more favourably located with respect to those markets. As a consumer, he purchases his requirements largely from Eastern Canada. Thus, we in Saskatchewan are acutely aware of freight rates, and their effect on

costs of production and standards of living.

Geographic Disadvantages

It has been said "that the Saskatchewan producer wages a continual struggle against geography."

The geographic disadvantages of the Province of Saskatchewan arising from its mid-continental position are obvious. We are separated from the Pacific coast by the Rockies, with the difficulties they offer to transportation, while miles of wilderness, which yield little in the way of freight revenue separate us from the industrial areas of Ontario and Quebec. We are far distant from both Atlantic and Pacific ocean ports.

On account of her geographical position Saskatchewan has no effective alternative to rail transportation for the movement of freight. There is a complete lack of waterways, and highway freight traffic is essentially limited in scope. For a large part of the year weather conditions virtually prevent highway transportation on anything but a very minor scale.

The West has comparatively little to correspond to the water and truck competitive rates of Eastern Canada. Competitive rates are applicable to a great many more commodities in the East than in the West. Moreover, we feel that the producer in Western Canada not only pays the transportation costs on his products going out, in terms of a price reduced by the freight charge, but also, in the main, pays the freight on those goods which he must bring in from Eastern manufacturing areas. We consider that some measures should be adopted so that the burden

of transportation costs are more equitably distributed.

"To allege a handicap is not to ascribe blame to any other province, or system. Yet, the handicap may be so serious as to require attention when a national policy is being considered or formulated."*

Concentration of Industries in Central Provinces

A study of the concentration of industries in the Central Provinces will indicate the relative impact of transportation costs on the western consumer. In 1942 Ontario produced 96.7 per cent of the total output of farm machinery. With the mechanization of prairie farms much of the Ontario output is shipped to the prairie provinces, together with a large tonnage of repair parts.

All manufactured goods, furniture, bedding, hardware, plumbing fixtures, automobiles, trucks, must be brought to Saskatchewan by rail from Eastern Canada.

The clothing industry is also concentrated in the Central Provinces. Figures available for 1942-1943 shows:

	Canada	Quebec	Ontario	Rest of Canada
Clothing establishments (women's)	775	455	261	59
Clothing establishments (men's)	410	234	117	59
Boot and Shoe Factories	222	135	68	19

* Government of Saskatchewan to Royal Commission on Dominion-Provincial Relations, 1937.

(Page 869 follows)

* Determination of Grain Volume in the [illegible]
Dentimeter-Provincial Institute, [illegible]

MR. MacPHERSON: Q. Your source for that is what?

A The Canada Year Book.

A large volume of foods, including canned goods, fruit, vegetables, sugar and salt must be brought in from Ontario, British Columbia, Alberta and Manitoba, Large quantities of heavy bulk freight such as coal are shipped in by rail. Saskatchewan is the only province which is forced to depend on coal for the generation of electric power, as in this province sources of water-power are scattered and remote. Potential sources of water power are still undeveloped and much time and money will have to be spent before these will produce revenue for the province.

HIGH COST OF CONSTRUCTION IN SASKATCHEWAN

Construction costs in Saskatchewan are particularly high, because finished lumber, cement, builders' supplies, heating and plumbing fixtures have to be shipped in. Most of our lumber comes from British Columbia, and the cement may come from Fort Whyte, Manitoba, or Exshaw, Alberta.

It is generally conceded that construction costs in Saskatchewan exceed most, if not all, the other areas in Canada.[1]

In 1944 it was estimated that the cost of equipping a home in Saskatchewan with standard sanitary facilities would be higher than for any other province in Canada.[2]

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1 Brief of Saskatoon Wholesalers to Board of Transport Commissioners, 1946

2 Saskatchewan Reconstruction Council, 1944 _page 231)

There is still a backlog of housing requirements. Two reports of the Saskatchewan Provincial Government - (a) Submission to the Royal Commission on Dominion-Provincial Relations in 1937; and (b) Report of Saskatchewan Reconstruction Council 1944 - have stressed the need for better housing. We quote from the last named report.

..."That in the opinion of the Council a great percentage of the population are living in homes that are not conducive to a satisfactory life, as it has been termed."

Since 1945 with the formation of the Larger Units of School Administration an extensive programme of repairs and construction of school buildings is being carried on. The Unit Boards are purchasers of large amounts of building supplies. This programme has already felt the impact of the increase of freight rates granted in March, 1948.

GENERAL

We feel concern about the section of the Railway Act which permits the Companies to alter classifications with merely notifications to (not consultation with) the Board of Transport Commissioners. This seems to leave the onus on the shippers to protest and fight the proposed increase if they feel such increase is not justified. A regulation that the Board must review all rate changes before they become effective would seem desirable.

The freight rate structure exercises a tremendous influence on the Canadian economy. There is probably no other form of charge for service which directly, or indirectly, affects each individual more than rates charged for the transportation of goods by rail.[1]

1 Brief of the Province of Saskatchewan to Transport Board (page 50)

As the greatest producer of foodstuffs for export in the Dominion, Saskatchewan is almost entirely dependent on outside markets for the sale of its products. Consequently, rail transportation costs constitute the most important fixed charges for service that the economy of the province is called upon to bear.

We may sometimes be apt to forget that pioneering is still going on in many parts of Canada. In certain areas of our province many pioneers are carrying on on a dangerously low standard of living in their efforts to bring these areas into production. The heavy freight burden they must bear in these remote parts represents an important factor in their cost of living.

Saskatchewan is the fourth largest province and as has been indicated is an important market for the manufactured goods of eastern Canada. The Prairie, and particularly the Saskatchewan market, is vital to the development and stability of the eastern manufacturing centres. By distributing the burden of freight rates on an equitable basis fair to all, the broad interest of national well-being will be served.

MR. MacPHERSON: Your witness, Mr. Covert.

MR. COVERT: Mr. Chairman and members of the Commission: it has occurred to me that Mrs. Wade has set out very fully the economic and geographic disadvantages under which Saskatchewan suffers. I notice on page 3 of the brief she says that some measures should be adopted so that the burden of transportation costs is more equitably distributed. There have been other briefs that have suggested the same thing, but so far we have

been unable to get any specific suggestion as to how that should be done. I thought perhaps Mrs. Wade might have something in mind.

THE WITNESS: I am afraid I am not in a position to do that. We do really feel that we pay freight charges on everything going out and on everything we use coming in while in the eastern provinces the people are closer to the markets and they do not have to pay these heavy freight rates, but I think that is a matter for the Commission to recommend.

MR. COVERT: Q. I am afraid it is going to be, and we are looking for help. On page 6 Mrs. Wade has raised a question that has also been raised in previous briefs. At the top of page 6 of the submission there is a reference to the altering of classifications merely by notification. There seems to be some misunderstanding about that. Apparently these matters must always come before the Board of Transport Commissioners. They can suspend a rate and there can be a hearing on it. I understand there are thousands of rate changes in a year. I wondered if that had been drawn to Mrs. Wade's attention?

A Yes, it has, but you see we feel that when an increase is proposed the shippers know nothing about it until they see it in the paper, and they would have to prepare to protest that increase. You could not just go to Ottawa. You would have to have expert advice. We think it would be a matter of great expense to the shippers. You see a shipper could hardly go down to Ottawa himself and then be faced with a battery of transportation

experts and lawyers. He would have to have expert advice, and he would have to have a qualified person to go down and present his case. We feel that when we have the Board of Transport Commissioners that is a rather unnecessary expense that the shipper should not have to bear. Of course, that is the woman's viewpoint.

MR. COVERT: Thank you.

THE CHAIRMAN: Any further questions?

MR. O'DONNELL: I have not any questions, but I think Mrs. Wade is the first lady we have had the pleasure of having as a witness. I think we all appreciate the considerable interest she and her members have taken in this problem. Having come, as she has, from such a distance to present her brief, I think we ought to express our thanks for her assistance in the problem.

THE CHAIRMAN: We thank you, Mrs. Wade.

MR. EVANS: I have not any questions, but there is one point on which I thought I might assist the Commission. There seems to be a little confusion between increases in rates and changes in classifications. If I may just spend one moment on this, changes in classifications can never be made without the consent of the Board. If it is a change from a lower to a higher class notice of that must also appear in the Canada Gazette. If, on the other hand, a change in rate is to take place, if it is a change in the so-called ceiling or standard rate, that must have the specific approval of the Board. If there are changes upward in rates which are below standard no prior approval is required although the Board still has jurisdiction to

intervene on complaint.

MR. MacPHERSON: I do not think there is any quarrel with the statement by Mr. Evans, although it will be the subject of argument later on.

Q. In order to show the consistency of Mrs. Wade's evidence in this regard I might ask you one question. Had you in mind in your reference at the top of page 6 any particular tariff that would be affected?

A Not now, but we had the proposed increase in farm machinery.

Q Farm machinery?

A Farm machinery, and the proposed increase in the rate on fish. The Board of Transport Commissioners did step in, but in the meantime for those few days before the Transport Board stepped in shippers are wondering, you see. They are wondering what they should do.

Q As a matter of fact, I do not think you know anything about the suspension or who registered objection.

A No, I know nothing about it. I just know what the different people have noticed in the papers, and they thought that when we had a Transport Board that Board should have to review these things first before it is announced to the press.

COMMISSIONER INNIS: Q. You have made reference to frontier communities. I wonder whether you could indicate briefly the changes that are taking place as to population movements in Saskatchewan. What is the situation as between 1931 and 1941, for example?

A Well, it is really more settled now up north. There was a great influx of people from the south to the

north of the province during the thirties, and of course they are the people who are clearing the bush and trying to get themselves established. Of course with better prices for farm products they are managing, but we are quite far away.

Q Can you give us some statistics showing what the population was in certain communities in 1931 as against what it is now?

A I am afraid I could not.

MR. MacPHERSON: I will be glad to let you have those particulars. As a matter of fact, unfortunately the population of the province has been declining. The population of Saskatchewan is 100,000 less in 1946 than it was in 1931, and even since 1946 the province has not been holding its natural increase. Actually in figures, according to the census, even with all the prosperity that my friends referred to in the budget speeches and that sort of thing, the fact still remains that in the Saskatchewan census of 1946 it was revealed that there was a population decrease of 100,000 as against 1931, indicating the economic and geographical disadvantages.

THE CHAIRMAN: How about the relative population of this northern area?

MR. MacPHERSON: I think the question asked by Dr. Innis will mean that we will present to you in due course figures as to the northern frontier, the hinterland, as to the change in population there as well as in other areas of the province.

THE CHAIRMAN: Probably the total population decreased very considerably and yet the northern area

increased.

MR. MacPHERSON: That is partly true.

THE CHAIRMAN: And the confines of it were pushed further north.

THE WITNESS: Much further.

MR. MacPHERSON: Yes, they are continually going north, but I think, as Mrs. Wade would say, there have been a great many people who went north in the thirties who came back in the forties.

THE WITNESS: I don't know whether they came back. I think some of them went to British Columbia.

MR. O'DONNELL: I might draw the Commission's attention again to this very helpful budget speech, exhibit 6, as to the population increase. I think my friend, Mr. MacPherson, is speaking of a little more ancient period than the present. The last sentence under the heading "population increase" reads:

> "Since that time" -- that is 1944 -- "the C.C.F. government has been in power, and the population is gradually coming back up again, standing now at 854,000."

I will not take the time of the Commission to read other statements in there, but it would appear that there is a change, and that the population of Saskatchewan is again on the increase.

MR. MacPHERSON: I will leave it to my friend to talk politics. I will give you the facts.

Mr. O'DONNELL: I am merely giving it from the official record, Mr. Chairman.

MR. CHAIRMAN: What is next?

MR. COVERT: The next submission, Mr. Chairman, is that of Canadian Co-Operative Processors Limited.

D. E. HARDING, Called

MR. MacPHERSON: Mr. Chairman, there were two witnesses on the agenda, Mr. Shirriff, who is the President, and Mr. Harding, the Secretary-Treasurer. Mr. Harding will present the brief, and Mr. Shirriff will not be giving evidence.

Q Mr. Harding, you are presenting the memorandum on behalf of Canadian Co-Operative Processors Limited?

A Yes.

Q And you are Secretary-Treasurer of the company?

A That is right.

Q You have been associated with this organization from its inception?

A That is right.

Q And you have been either Secretary-Treasurer or assistant Secretary-Treasurer from 1945?

A 1945.

Q And you have compiled the information in this presentation?

A That is right.

Q Now, will you please read the brief to us, Mr. Harding?

A Canadian Co-operative Processors Limited is a producers' co-operative marketing organization and is the successor to Horse Co-operative Marketing Association Limited and has operated under a Dominion Charter and the

new name since the beginning of 1949. The head office and one plant are situated at Swift Current, Saskatchewan, and another plant is situated at Edmonton, Alberta. The Co-operative has an authorized capital of $1,000,000 divided into 1,000,000 shares of $1 per share. It was incorporated under the name of Saskatchewan Horse Co-operative Marketing Association Limited on April 6, 1944, reorganized in June 1945 under the name of Horse Co-operative Marketing Association Limited and under the present name on January 1, 1949.

It is the only Canadian Co-operative incorporated by Special Act of Parliament. It is owned and operated by 27,000 producers of the four Western Provinces.

The principle object of the Co-operative as set forth in the Memorandum of Association and the Act of Incorporation as a Dominion Company is:

> "To carry on, on a co-operative basis, the business of producing, collecting, buying, receiving, handling, feeding, slaughtering, processing, transporting, grading, selling, marketing, dealing in, with or without taking title thereto, livestock and livestock products."

Membership in the Company is defined as follows:

> "No person is entitled to become a shareholder in the Company who is not a person, firm or corporation concerned or engaged in the production or sale of horses, or the heir, executor or administrator of such person."

In other words, I should like to point out that although the Act of Incorporation provides that the business

may carry on the handling of all livestock products, at the present time the membership is confined to those engaged in the production of horses.

No dividends are paid on shares, for the proceeds realized from the handling of the products are allocated to and will be paid to the members of the Co-operative according to the live weight of horses each member has delivered to the Co-operative.

The Co-operative commenced operation in Edmonton on July 1, 1945 and at Swift Current on October 19, 1945. It has been occupied since then in slaughtering and processing horses into major products for human consumption and into by-products for both export and domestic markets. Each plant is under strict inspection of an inspector appointed by and representing the Health of Animals Branch, Dominion Department of Agriculture.

The capacity of the Edmonton plant is 150 horses daily, and of the Swift Current plant, 200 horses daily. From commencement of operations to December 31, 1948, the plants have handled 62,721 horses and 88,314 horses, respectively, or a total of 151,035 horses.

HISTORICAL

Before proceeding with a presentation of the factual situation in relation to economic, geographic and other disadvantages with respect to transportation, it is felt that a general review of the reasons for the formation of the original Association is necessary. Unfortunately the public at large do not readily realize the economic factors that prompted those who were responsible, and took some action to solve the most serious liability affecting

the Western Livestock economy,

Since the first Great War there has only been a very limited market for well broken horses and prices were far below cost of production. Coupled with this fact mechanization was rapidly taking place and the tractor replaced the horse on the farms. The result was an estimated surplus of over 300,000 horses in Western Canada in 1944. Furthermore, a survey conducted by the Dominion Department of Agriculture showed that the farmers of the three prairie provinces required 130,000 tractors from 1945 to 1949; an unprecedented need for tractor power, but quite evident in view of changing methods of production which meant more surplus horses.

Surplus horses were a menace and a liability to the grazing and feed resources of the prairies. In one winter period alone, surplus horses consumed in the form of grass, 500,000 tons of feed. In 1937 it required 500,000 tons of feed to maintain the livestock industry in Saskatchewan. Hay was shipped from Eastern Canada and the western United States. Not only did it cost the government of Canada many millions of dollars, but it was a costly experience for the railways.

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HH

For the above reasons, farmers began to organize in Southwestern Saskatchewan. In March and April, 1944, meetings were held at many points. Delegates were appointed from each well attended meeting and given instructions to take some action. The result was theformation of a co-operative in Swift Current in May 1944, under the Saskatchewan Co-Operative Society's Act. The objectives as then set out were as follows:

L. To conserve the grazing and feed resources of Western Canada and find a market for surplus horses.

2. To assist in improving the market for well broken farm horses.

3. To assist in enabling a better land use policy.

4. To find a market with the best possible returns to the producer and where the producer would receive all net surpluses of the undertaking.

The first step taken was to investigate the markets in the United States. A lengthy study was made but with the finding that the packing companies of the U.S.A. had only a limited interest at ruinous prices for western horses. It was then decided that something must be done at home. The assistance of the Dominion and Provincial governments was sought. European markets were studied as the meat situation was increasingly acute at that time. In February, 1945, the Saskatchewan government formally invited the Board of Directors to Regina and offered to guarantee $50,000 capital for initiating a processing plant for pickled horse meat. Further negotiations were carried out with the Dominion government which ended up with the signing of a contract in May, 1945 with the Belgian government for 10,000

tons of pickled horse meat, delivery to commence in September, 1945. The Co-operative purchased the Red Top Products plant in Edmonton and employed its owner as manager. Construction of the plant at Swift Current began immediately.

During June, 1945, the need for canned meat in European countries became urgent and the Co-operative was advised to construct and set up a canning plant in addition to pickling horse meat. If the Co-operative did not build a canning plant somebody else would.

Finances for construction were difficult to arrange but theBelgian Economic Mission advanced $150,000 on goods to be received, and theSaskatchewan government increased their guarantee to $150,000. Later when a canning contract was made with U.N.R.R.A. for the total 1946 output, the Canadian Commercial Corporation advanced through the Canadian Export Board of Contral the sum of $200,000. That is the story of the capital financial structure of the company as it pertains to sources other than the members themselves.

Markets for the major products have been as follows. The large cuts of meat from both plants are pickled and shipped in large tierces to Belgium. Some hind quarters are frozen and shipped to Belgium. The small cuts and trimmings havebeen processed in cans and shipped, first through the Canadian Commercial Corporation for U.N.R.R.A. and the United Nations International Childrens Emergency Fund, the goods going to Poland and Cezchoslovakia, and later to the U.S. army for Germany. The Edmonton plant does not have a canning line and all of the above cuts are

shipped by freight to Swift Current.

MR. MacPHERSON: Now, you have on page 4 some tables showing the different products in the first column; and showing the different periods in the second, third and fourth, and showing what, by way of canned meat, fresh meat, pickled meat, and so on, was processed each year. Ithink we should read these tables into the record without having to deal with them.

THE WITNESS: The following is a brief summary of production:

t	Unit	July/45 to Dec. 31/46	1947	1948	Total
Meat	lbs	10,708,596	25,031,136	19,628,046	55,367,778
meat for g	lbs	2,582,686	9,481,310	6,693,055	18,757,051
d meat	lbs	5,743,200	2,580,000	930,900	9,254,100
hinds	lbs	--	509,800	919,140	1,428,940
food	lbs	6,445,800	5,464,000	4,817,400	16,727,200
	lbs	91,686	100,175	82,910	274,771
le oil	lbs	1,247,400	1,366,592	1,474,140	4,088,132
one	lbs	13,621,600	12,368,620	5,966,800	31,957,020
and meat	lbs	271,000	272,600	2,800,200	3,343,800
	each	45,852	57,153	43,426	146,431

In order to accomplish the output already mentioned, the following statement of costs of raw materials (horses), supplies, containers, wages and freight charges, will indicate how important this co-operative has become to producers of horses, to those manufacturing supplies and to the transportation companies.

r. MacPHERSON: And that list gives the initial payments on horses

purchased; and the words "on horses" including allocations to members, hay and feed used; barrels and containers including freight;.

MR. MacPHERSON: Q. Where do you get your barrels and containers from?

A. We have secured some from Vancouver; the majority come from Vancouver.

Q. Wages; and/canning containers; where do they come from?

A. All the canning containers with the exception of some cartons are secured from Montreal.

Q. Supplies and ingredients; where do they come from?

A. Practically all from eastern Canada.

Mr. MacPHERSON: Yes, I submit that list can be read into the record.

THE CHAIRMAN: "Initial payments on horses purchased." Are they all purchased from members?

MR. MacPHERSON: Yes. I think it is explained there; I think there is another paragraph.

THE WITNESS: That table was only made to give some of the larger items which we handle. It does not intend to give a complete picture at all.

	July /45 to Dec. 31/46	1947	1948	Total
payments on purchased	$1,210,522.80	$1,732,926.00	$1,360,077.92	$4,303,526.72
on horses ng allocations ers to equalize payments of freight paid by ves	178,604.06	198,536.79	153,944.55	531,085.40
feed used	36,794.57	32,071.29	34,774.80	103,640.66
and containers ng freight	96,624.27	40,776.62	15,744.12	153,145.01
	487,325.67	678,933.75	660,257.28	1,826,516.70
ers - canning ng freight	348,519.32	667,713.88	594,892.28	1,611,125.48
and ingred.- including	50,367.39	165,161.94	162,775.51	378,304.84
st of & Services	$2,408,758.08	$3,516,120.27	$2,982,466.46	$8,907,344.81

FREIGHT CHARGES

In the foregoing pages, an effort has been made to present a picture of the operations of the co-operative since its inception showing the result of operation in the number of pounds of different products and by-products processed and in the dollar value of the cost of the raw product and of supplies and wages involved in such processing, including but without segregating, freight charges.

In the following pages of this memorandum, data are given covering the preiod from commencement of operation by the co-operative until December 31, 1948, and it has been endeavored to present the volume and dollar value of

freight on horses and supplies inward and processed products outward.

By way of explanation it should be stated that initially horses were shipped to the Co-operative f.o.b. plants, then by way of increase in initial payments to members, horses were and now are shipped f.o.b. point of shipment and the co-operative absorbs freight and other charges.

The co-operative pays all freight charges on all incoming supplies. In connection with outward freight the by-products are usually sold f.o.b. plants, but on products shipped to theBelgian market, the co-operative prepays the freight and other charges to seaboard. On products shipped to U.N.R.R.A., the price was f.o.b. plants and the co-operative did not prepay the freight, although naturally the freight influenced the price which was obtained for the product. However, the freight charges involved in all suchshipments are included in the data so as to give the full picture of freight charges on outward movements of products processed and originating at the plants of the co-operative.

An analysis of records of the co-operative covering the period from commencement of operations in July, 1945 to the 31st of December, 1948, shows that the co-operative paid or was directly or indirectly accountable or responsible for freight movements and charges because of its operations, of amounts aggregating $2,534,848.89 and involving a total of 10,805 carloads of freight shipped over Canadian Pacific and Canadian National lines. Particulars of these are as follows.

I. Inward Freight:	July 1945 to Dec. 31,1946	1947	1948	Total
(a) Horses				
1. No. cars horses received on which freight was paid by the Co-operative and absorbed into cost, or deducted				
a. Edmonton	820	1148	730	2698
b. Swift Current	1450	1734	1294	4478
Total	2270	2882	2024	7176
2. Freight Charges	*$178,604.06	$198,536.79	$153,944.55	$531,085.
3. Average cost per head	*Not available See statement of costs	4.05	4.47	
(b) Supplies				
1.No. cars received on which freight charges were paid by the Co-operative and absorbed into cost				
a. Edmonton	52	17	8	77
b. Swift Current	415	280	229	924
	467	297	237	1,001
2. Freight Charges	$134,659.59	$85,942.92	$106,482.16	$327,084.67
(c) Fresh Meat & Barrels				
1. No. cars meat & barrels shipped to and from canneries in S.C. on which frt.charges were paid by the Co-operative				
a. Edmonton	45	98	67	210
b. Swift Current	196	215	204	615
	241	313	271	825
2. Freight Charges	$62,131.64	$71,168.32	$78,516.81	$211,816.77

Total Inward Freight

1. No. cars	2978	3492	2532	9002
2. Freight Charges	$375,395.29	$255,648.03	$338,943.52	$1,069,986.84

II. Outward Freight

(a) Products for Export

1. No. cars shipped from				
a. Edmonton	61	28	22	111
b. Swift Current	366	256	180	802
	427	284	202	913
2. Freight Charges	$411,994.91	$359,542.93	$319,380.79	$1,090,918.63

(b) Products - Domestic

1. No. cars shipped from				
a. Edmonton	108	82	110	300
b. Swift Current	282	159	149	590
	390	241	259	890
2. Freight Charges	$142,713.33	$103,639.16	$127,590.93	$ 373,943.42

Total Outward Freight

1. No. cars	817	525	461	1803
2. Freight Charges	$554,708.24	$463,182.09	$446,971.72	$1,464,862.05

Grand Total of Inward and Outward Freight for which the Company may be held accountable between July 1, 1945 and December 31, 1948

10,805 cars $2,534,848.89

MR. MacPHERSON: On the next page you have a table showing how you make up that sum of $2,534,848.89. It covers inward freight on horses, supplies, fresh meat and barrels; total inward freight and total freight outward, and it shows how you make up your total of $2,534,848.89 which has been paid for freight.

THE WITNESS: The freight there, if not actually paid by the co-operative - it has been included in this figure; but the co-operative has been responsible for it.

MR. MacPHERSON: Q. Can you tell the Commission during that period what amount of products you sold; what would it amount to, and the amount of products you purchased ?

A. The total value of our production in the two plants was about twelve and a half million dollars.

Q. So that, of twelve and a half million dollars $2,534,848.89 would be represented by earnings of the railways.

A. That is not exactly a true statement because the cost of processing and marketing, which include freight, would be about $1,000,000 less than twelve and a half million. But of this $2,500,000 of freight approximately, there again, possibly $1,000,000 of it was not paid directly by the co-operative; so I think, balancing the two figures . the value of production would be approximately what would happen.

MR. MacPHERSON: Would you go on at the top of page 7.

THE WITNESS: Effective transportation costs on operations. The operations of the co-operative were seriously

affected in 1948 following the granting by the Board of Transport Commissioners of an increase in freight rates on April 8, 1948. The increase, together with other disadvantages, geographic and otherwise, which are outlined later in this memorandum, are making it extremely difficult for the co-operative to operate in 1949. In fact, the fate of the industry, which has done more to conserve grazing resources for other livestock by removing surplus horses from the prairies than any other undertaking in western Canada, hangs in the balance, and we cannot yet predict the ultimate effect of the 21 per cent increase.

Transportation costs and any increases therein may be reflected in either of two ways:

(a) in the costs of the products to the consumer

OR

(b) in the initial or subsequent payments to the farmers and ranchers delivering horses.

A smaller volume of horses and goods was handled in 1948 compared tod 1948, and the prices received for the products were generally less, the gross value of production, dropping from $5,393,587.48 in 1947 to $3,931,187.43 in 1948. At the same time increased freight oosts could not be absorbed by increasing prices of the products because of the type of products being handled and the fact that there was only one market for horse meat.

Q. THE CHAIRMAN: What was that one market?

A. The Belgian market.

The general change-over from a sellers to a buyers market, from shipment for relief purposes to shipments for the private trade, together with under-bidding by

American competitors on all major products, has made it impossible for the co-operative to receive more for its goods in order to take care of increased transportation costs in spite of a demand for the products in Europe.

With the market situation and competition being intensified at the present time, the additional costs have already been more than the co-operative can bear, and it could not possibly cope with any further increases in the existing freight rate structure.

At the present time members of the co-operative are not realizing more than a fair price for their horses. As a matter of fact the producers are already receiving one-quarter to one-half cents per pound less for their animals than in 1947 and 1948 due to increased costs, both direct and indirect due to transportation.

In addition, the co-operative was placed in such a cash financial position at the end of 1948 that the balance of the payments due to producers who delivered horses between the period May 1, 1946 to December 31, 1947, had to be deferred. In other words, all that the producers who delivered horses in that period have received is the initial cash payment.

Not only was it impossible to make payments due to the members, but no returns on capital investment were realized by the members. A total of $142,164, in share capital was invested and $400,109 in reserve capital was loaned by those who owned and operated the plants.

MR. MacPHERSON: I think these two figures will clear up the question which the chairman asked. You have a total of $142,164 in share capital.

THE WITNESS: That is right.

MR. MacPHERSON: Q. As I understand your setup, there is a share per horse delivered.

A. That is right; there is a deduction of $1.

Q. There is a deduction of $1 for each horse, so that that represents 142,164 horses.

A. That is right.

Q. You had 151,000 horses that you referred to. Would the difference be delivery by non-members.

A. That is right. At a time when the Edmonton plant was operating for a few months in 1945, not handling products for human consumption.

Q. Then you have a reserve of $400,109. And I asked you last night and I ask you now, what an average marketable horse would bring at the plant.

A. This reserve capital represents a deduction from the member's initial payment, the same as the share capital of $3 per horse.

Q. But what would be the average price?

A. The average price; across the years there have been some fluctuations, and allowing for fluctuations, I would say that the average price for an 1800-pound horse would be $30, less the $12 payment.

Q. There would be $30 which the farmer or rancher would get; and from that would be deducted $1 for share capital, and $3 which goes into the reserve. The balance of it is that $400,000.

A. That is right.

THE CHAIRMAN: And what about the non-members?

A. Non-members? The income tax setup is that the non-members receive a less price for their horses, that is, less cash initial payment; and no shares in it to participate in the earnings from the processing. Non-member horses must be segregated, and income tax is payable thereon.

Q. Are the non-members paid just once and for all in one payment?

A. That is right.

Q. So the word " initial" there means final?

A. MR. MacPHERSON: Final so far as non-members are concerned.

THE WITNESS: Not one cent of these amounts nor the interest has been refunded because of the operating deficit last year and the resultant cash position, in spite of the fact that the fixed assets are completely free of debt due to the extensive borrowings by the co-operative from its members.

MR. MacPHERSON: Q. You referred earlier to loans which you obtained from the governments, and from the Canadian corporation. Does the organization owe money to any government or organization?

A. No, only to members.

The net effect of increased cost was a deficit on 1948 operations of $93,663.20 and an examination of figures presented herein show that discriminatory freight rates and other transportation difficulties have been mainly responsible.

If the Co-operative is compelled to discontinue or reduce operations, because of the increased cost, then factors promptly reappear, such as the gradual increase in surplus horses, coupled with the increase of consumption by them of feed on grazing lands, and a consequent reduction in the numbers of cattle and sheep to be raised on such grazing lands, and a consequent loss of freight tonnage in cattle and sheep to be supplied from such grazing lands.

Also, so far as the Railways are concerned, there will be a loss of tonnage of inward and outward freight, to and from the Co-operative and a loss of a million dollars a year to Eastern Canadian industry, now manufacturing the supplies being purchased and used by the Co-operative.

There is a further factor to be considered. The average payroll of the Co-operative in its two plants has been over half a million dollars per year. This purchasing power of about 500 employees, if taken away, would affect the volume of trade in the two centres and directly affect the inward freight movement of consumers' goods in amount and volume not estimable.

It is not proposed to exhaust the spiral or chain of factors that would be directly and indirectly affected by a discontinuance in the operations of the Co-operative. Those given are indicative of the chain of events that would be set in motion.

It has taken courage, confidence and foresight to visualize what would, and could, be done by men by co-ordination of efforts and bringing together of the producer and consumer into a scheme in which, so far, each has been

reasonably satisfied with the returns received. The work and achievements of the Co-operative have been watched with keen interest, and some unbelief, that, what has been accomplished could possibly be accomplished.

The beginning and the proven results are unique in the annals of co-operative effort as well as in other commercial endeavours. The Co-operative believes that it stands alone in what it has accomplished so far, and hopes to accomplish in the future.

Economic and Geographic Disadvantages

Both the cost of supplies used by the Co-operative in processing and the prices received for its products are greatly affected by high transportation costs due to the long haul to and from its two plants at Swift Current, Sask., and Edmonton, Alta.

The great bulk of supplies come from Eastern Canada and the Co-operative either pays the freight or the cost of the goods includes freight charges, which forces a much higher cost of production than if the supplies were obtainable in Western Canada.

The same spiral of factors mentioned in the previous section applies here also, for the increased cost of most of the things which employees have to buy has been due to increased transportation costs, because of such disadvantages as the long haul, thus creating a demand by the employees for higher wages to meet the increased cost-of-living, and a resultant higher cost of production for the Co-operative.

Similarly, on outward shipments of products, the long haul to Eastern Canada for most shipments of oil, hides and other by-products, and to seaboard, either Montreal, Halifax or New York, for all export shipments, is directly responsible for increased costs to the Co-operative.

The prices received for products sold on the export market could not be increased to take care of the 21% -- the freight rate increase, that is -- increase granted in 1948, and the prices received for by-products sold in Canada were determined by the buyers who lowered the price where increased transportation costs were to be paid by them. In either case; the entire increase was usually, in the final analysis, borne by the Co-operative.

In the field of raw material necessary for this particular industry, geographic disadvantages and transportation difficulties are equally apparent. The horse supply near the two plants is seriously depleted, making it necessary for the Co-operative to draw heavily from North Eastern Saskatchewan where the horse population is still very heavy, and this being the farthest area from either the Swift Current or Edmonton plants, involves longer hauls and more transportation on CNR lines where the slaughter rate for horses to the Swift Current plant is not applicable. This involves an increase of up to 8¢ per 100 lbs. for freight on horses travelling on Canadian National lines to Swift Current, or approximately 25% difference between full horse rate and slaughter rate. Trucking and trailing, of course, becomes impractical for such distances with the result that the Co-operative is becoming more and more dependent on the railways for its raw material.

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The policy of the C.N.R. to deny slaughter rates on its lines on shipments consigned to Swift Current because of the fact that there is no C.N.R. service to Swift Current, has, in itself, caused heavy additional costs to the Co-operative and many inconveniences. Shipping horses via C.N.R. to be taken over by C.P.R. at first interchange point means two short hauls which is more costly than one long haul. Also, billing cars from C.N.R. points to be taken over by C.P.R. as described often means more mileage and greater shrink on stock with resultant loss to both the producer and the Co-operative.

An examination of the data available shows that of 22,045 horses delivered to Swift Current in 1948, 5,085 horses were delivered from C.N.R. shipping points at a total freight cost of $37,099.25 or an average of $7.38 per head, while the average cost for all horses shipped to Swift Current in 1948 was only $4.82 per head. On the horses shipped via C.N.R. and C.P.R. combined, the C.N.R. received $18,350.77 while the C.P.R. received $18,746.70, an average cost per head for each of the two short hauls of $3.69. This left a balance of 16,960 horses shipped to Swift Current via C.P.R. only, at a total cost of $69,238.84, or $4.08 per head.

In comparison, 12,421 horses were delivered to the Edmonton plant in 1948 at a total freight cost of $47,606.46 or $3.83 per head, there being no freight rate differential between the two lines because of Edmonton being a competitive point.

In other words, 5,085 horses were accepted at

Swift Current from C.N.R. shipping points at a cost of $7.38 - $4.08 = $3.50 per head more than horses accepted from C.P.R. shipping points.

MR. MacPHERSON: Mr. Chairman, there are some examples here, and some on the following page, and I am suggesting that these should be taken into the record without the necessity of the witness going over them.

"Some glaring examples of the disadvantages in shipping from C.N.R. points and inequalities in existing freight rates are as follows:

1. Arran, Sask. is a CNR point about 365 miles from Swift Current. Billed to Moose Jaw CNR, the rates are 46¢ cwt. from Arran to Moose Jaw CNR and 24¢ cwt. Moose Jaw to Swift Current CPR or 70¢ cwt. total. Billed to the first interchange point, Yorkton, in order to secure slaughter rate, the rates are, Arran to Yorkton CNR 81 miles @ 28¢ cwt. and Yorkton to Swift Current via Saskatoon CPR 440 miles @ 43¢ cwt., or a total of 521 miles @ 71¢ cwt.
2. Hudson Bay Junction, Sask. to Edmonton CNR is 541 miles @ 52¢ cwt. Hudson Bay to Regina CNR is 246 miles @ 44¢ cwt. and Regina to Swift Current CPR is 153 miles @ 27¢ cwt. or a total of 399 miles @ 71¢ cwt. At the same time Regina to Edmonton is 541 miles @ 48¢ cwt.
3. Similarly, Arborfield, Sask. to Edmonton is 520 miles @ 50¢ cwt. while Arborfield to Swift Current is 400 miles @ 74¢ cwt."

THE WITNESS: When the CNR moves horses only to an interchange point at the full rate, this means that on an animal selling for 2¢ per lb. live weight for slaughter, an additional 8¢ cwt. more freight has been paid than on cattle for slaughter which sell for up to 20¢ per lb. live weight, in spite of the fact that removal of the 2¢ per lb. animal leaves more grass for the 20¢ per lb. animal and a greater financial return for all concerned.

Geographically, Swift Current is unfavourably situated in that horses must be shipped East from points near the Alberta border, north of the S. Sask. River, to Moose Jaw and then West to Swift Current.

MR. MacPHERSON: Q. Now, you have examples that are put in there, Mr. Harding?

A. Yes.

Q. And then you have examples put in dealing with branch lines?

A. Yes.

"For example:

1. Fiske, Sask. to Edmonton is 424 miles @ 42¢ cwt.
   Fiske to Rosetown CNR is 20 miles @ 13¢ cwt. and
   Rosetown to Swift Current 274 miles @ 35¢ cwt.
   or a total of 294 miles @ 48¢ cwt. in all.
   Fiske to Moose Jaw via Saskatoon is 41¢ cwt. and
   Moose Jaw to Swift Current 24¢ cwt. or a total
   of 65¢ cwt.
   These high rates are prevalent although Fiske is
   only 125 miles north of Swift Current by road.

2. Beechy, Sask. to Moose Jaw CNR is 127 miles @ 32¢ cwt. and Moose Jaw to Swift Current CPR is 111 miles @ 24¢ cwt., or a total of 238 miles @ 56¢ cwt.

3. Matador, Sask. is a CPR point 45 miles north of Swift Current but 327 miles from Swift Current by CPR.

4. Main Centre, Sask. is a CNR point 30 miles from Swift Current but 251 miles from Swift Current by rail.

The many branch lines which approach but do not reach Swift Current present other disadvantages as may be seen from the following illustrations and the map attached to this memorandum:

1. A CNR line from Moose Jaw via Avonlea and Gravelbourg stops at Neidpath, a total of 140 miles, with the line completed the balance of the distance to Swift Current, about 20 miles, but not in use.

   Moose Jaw to Avonlea CNR is 30 miles @ 17¢ cwt. and Moose Jaw to Swift Current CPR 111 miles @ 24¢ cwt.

   With this line completed, the CNR would be in a position to move out their share of our finished products.

2. Another gap of 37 miles exists between Mankota and Val Marie and shipments from the latter point must go West 100 miles to Consul, stay overnight, come back East next day 62 miles to Shaunavon, be

unloaded for feed and water, move further East 185 miles to Moose Jaw, feed again next day and finally come back West 111 miles to Swift Current, a total trip of 458 miles and three days, although Val Marie is only 85 miles from Swift Current by road. The completion of this gap would permit horses to move to Swift Current by Assiniboia, a total of 337 miles, in a single day.

3. Bengough, Sask. CNR to Moose Jaw is 36¢ cwt., Moose Jaw to Swift Current 24¢ cwt., a total of 60¢ cwt. At the same time, horses can be trailed 20 miles from Bengough to Horizon, a CPR shipping point, where the rate to Swift Current is 28¢ cwt., a difference of 32¢ cwt.

4. If the Simmie - Swift Current line was connected with the Shaunavon - Moose Jaw line, shipments could come direct from Shaunavon into Swift Current, a distance of about 64 miles, avoiding the 185 miles from Shaunavon to Moose Jaw and back 111 miles to Swift Current."

THE WITNESS: All of the disadvantages pointed out in this section, together with the high cost of production due largely to increased transportation costs, and the placing of products on a low-priced market, have forced the Co-operative into the position where it is just a question as to whether the thousands of surplus horses remaining on the prairies can continue to be removed from our grazing lands in this way.

On June 1, 1948, there were still 463,300 horses

in Saskatchewan and 376,000 in Alberta. Horse processing is not a permanent industry, but it is still the only way that surplus horses can be removed in such a way as to realize a reasonable return for the producer. Any delay in removing these horses holds back the production of other livestock. The accomplishment of the Co-operative's original objective is of importance to the whole Dominion.

Conclusion

We have endeavoured, in the foregoing pages of this memorandum to present a true and factual picture of the affairs of the Co-operative and the manner in which they have been affected by the granting of the application of the Railway Association of Canada in 1948, and by economic and geographic disadvantages generally in the transportation field.

We believe that it is not in the public interest to discourage an industry which is supported today by 27,000 farmers and ranchers of Western Canada and which is instrumental to some degree, in aiding in the solution of an economic problem, and which can and does supply a demand for hides and other products to Canadian industry and also provides a steady flow of food to European countries.

It has been proven that the industry can be operated successfully and with better returns for the owners of horses. It has proven to be a profitable connection for industries in EasternCanada and the Maritime Provinces in the sale of tremendous quantities of supplies, and it certainly has been proven to be a source of a large volume of freight movement and revenues to the Railways.

The transportation difficulties of the Co-operative

may be summarized in the following points:

1. Inability to absorb increased transportation costs on long hauls by means of increased prices for products.
2. Higher costs of production because of long hauls which cause increases in prices of manufacturing supplies.
3. Denial by the CNR of granting of slaughter rate on horses to the Swift Current plant.
4. Incompleted branch lines of both CPR and CNR leading to Swift Current, causing longer hauls and excessive shrinkage on horses.

For these, among other reasons, the Co-operative respectfully submits that it has been adversely affected by transportation difficulties by reason of economic, geographic and other disadvantages outline in the foregoing memorandum, and that any solution of a national character which would remove these disadvantages would tend to stabilize the livestock economy of the Dominion and at the same time render service to a very worth-while organization.

MR. MacPHERSON: Q. Now, Mr. Harding, you have attached a map showing Swift Current, and to indicate one of your examples you take Mankota. Mankota is directly south of Swift Current, or almost directly south of Swift Current?

A. About 85 miles.

Q. It is 85 miles from Swift Current, but, because of the railway situation now, horses would have to go

around a distance of 458 miles to get to Swift Current?

A. Yes. They go west from the point Val Marie to Consul, then east all the way to Moose Jaw and back to Swift Current west again, a total of 385 miles, or 458 miles, and three days en route; whereas if this short gap of 37 miles were completed horses could be moved from to Swift Current in one day.

COMMISSIONER INNIS: What is the gap to be completed?

MR. MacPHERSON: From Val Marie to Mankota. It is right at the very bottom of the map, Dr. Innis. They would go from Val Marie back to Consul.

COMMISSIONER INNIS: But where is the gap?

MR. MacPHERSON: From Val Marie to Mankota.

Your witness.

THE CHAIRMAN: You still would have a very long haul.

MR. MacPHERSON: He might have a long haul.

THE WITNESS: The figures are in that example.

THE CHAIRMAN: There is no question of the other gap between Mankota and Meyronne?

THE WITNESS: The haul is about 120 miles less, but the trip can be accomplished in a single day, and it means much less shrinkage on those horses.

MR. MacPHERSON: There is the other gap between Mankota and Meyronne as well.

THE CHAIRMAN: If you could fill up that gap you would have a shorter haul to get to Swift Current; it might not be practicable.

(Page 912 follows)

THE CHAIRMAN: You are not through?

Mr. MacPHERSON: I am finished, yes.

THE CHAIRMAN: Does anyone else wish to ask questions?

MR. O'DONNELL: I have a few.

MR. FRAWLEY: I think Mr. Covert would be next. Has Mr. Covert any questions?

MR. COVERT: No.

CROSS-EXAMINATION by Mr. FRAWLEY

Q Mr. Harding, I am very much interested in your inter-line problem. That is the gist of your problem, the inter-line rates that you have to contend with? Is that so?

A As far as the inward supply of raw materials.

Q At the bottom of page 10 you point out that Arborfield, Saskatchewan, wherever that is, to Edmonton is 520 miles, and you have a rate of 50 cents a hundredweight. If the same horses leave Arborfield for your Swift Current plant you are 120 miles closer by rail, and you pay 74 cents?

A Because of part of the travel being on the Canadian National line.

Q That is because you give your stock to the Canadian National, and it takes it as far as it can take it, and that is one rate. Then it is turned over to the Canadian Pacific and it commences a fresh journey at a new starting point, and it then goes from that point, wherever it is, to Swift Current?

A Yes.

Q You know where Medicine Hat is?

A Yes.

Q You know that is also a non-competitive point situated on the Canadian Pacific?

A Yes.

Q Have you ever investigated the deal the industries up there have with the Canadian Pacific?

A Not to my knowledge. The only thing we have done is try to do our best with the Canadian National freight department.

Q You first go to the Canadian National to try to get them to give you what you call a slaughter rate?

A Yes.

Q And the reason they do not give you that is because they have no chance to get traffic out, I suppose, so you have to put up with paying two rates on any stock that originates on Canadian National lines?

A Yes.

Q Your plant is on a Canadian Pacific line?

A The Swift Current plant.

Q At Swift Current. Now, on your shipments out, when you are shipping your product out, and it is going to a Canadian National point - first of all, do you have that as a problem at all?

A Because we have not been able to get anywhere with the C.N.R. on the slaughter rate we have not made any attempt to route any outward shipment via C. N. That is, I think it can be done from the lakehead on, at least.

Q But out of your Swift Current plant it all has to

go Canadian Pacific?

A It has to start that way.

Q There is nothing the Canadian Pacific can do for you as far as your outbound traffic is concerned?

A In what way?

Q I mean going to Canadian National points?

A Well, all of our shipments, as I say, are going to Toronto and Montreal, if not to seaboard, which means that the only thing that can be done to assist C. N. would be to take it over at some point, Winnipeg or past there.

Q Mr. Harding, have you taken up the question of inter-line rates, which of course runs through the whole structure in western Canada, with what we call the Canadian Freight Association in Winnipeg?

A Not to my knowledge.

Q Have you gone to the Board of Transport Commissioners in Ottawa about it?

A Only in so far as it was presented in the brief of the Horse Co-operative Marketing Association to the Board.

Q Last year?

A Two years ago.

Q But have you gone to talk to their traffic officers about any relief by Board order from what you have to contend with?

A Not to my knowledge, unless the Board itself has, the Board of Directors.

Q You are bringing all these facts to the attention of the Commission with the object in view that, through

their recommendation, there may be some compelling of the railways to give you a continuous rate from a Canadian National point to a Canadian Pacific destination?

A We feel there should be some solution to it. We are not saying what should be done or anything else. We believe that is the business of the Commission. We feel that the order in council only called for us to point out the disadvantages we were under due to transportation.

Q And you have this particular problem?

A That is right.

Q You have none of this problem at Edmonton?

A That is right.

Q Because of the simple fact it is on two railways?

A Yes.

Q All of your trouble is that Swift Current is on one railway line?

A On that particular phase of our inward raw material.

THE CHAIRMAN: Any other questions?

MR. O'DONNELL: I have a few.

CROSS-EXAMINATION by MR. O'DONNELL

Q I think you have a few troubles other than the freight trouble, have you not, Mr. Harding? My friend suggested to you that all your troubles were due to having located at Swift Current. That is only a part of your trouble?

A I think every business has other troubles.

Q Sure. I think if we can agree that some of your troubles in incurring the deficit which you indicated you had last year, were due to rising costs of operation,

the matter of labour in particular, for instance. Your labour costs went up very considerably in 1948, did they not?

A Yes, the equivalent of other packing houses.

Q But there was a considerable jump. For instance, let us turn to page 4 of your brief. In the table at the bottom of the page under the heading of wages you have in the first column $487,325. That is for a period of a year and a half, July, 1945, to the end of December, 1946. You see that figure?

A Yes.

Q Then there is a considerable jump, is there not, in the next two years for wages?

A That is right.

Q You jump to $678,933 in 1947 and $660,257 in 1948?

A That is right.

Q And there was a very considerable drop on the other hand in your production in 1948. That is correct, too, is it not?

A Yes.

Q Your production in 1948, as one can see by looking at the table at the top of page 4, was very considerably lower than it was in the other years, 1947 and 1946?

A Yes. As pointed out in the brief, of course, I mentioned that wages were quite in line with what was being granted by other packing houses.

Q That is true.

A And I believe the employees' demands were prompted because of the fact that their cost of living had increased to such a point, largely due to increased transportation

costs.

Q That is something that someone guesses at but does not know very much about. There was no freight rate increase until the 8th of April, 1948, was there, and yet in 1947 you had a considerable jump in wages?

A Nothing to what we had in 1948.

Q In 1947 before there was any freight rate increase your wages had jumped almost 100 per cent over the year before?

A We must remember that in 1946 though, this plant, being a new plant, had untrained personnel. Almost everyone was classed not as a skilled man at all, as a labourer.

Q That is all right.

A In 1947 they were finally drawing down packing house rates.

Q I am indicating that under the heading of wages your wages went up very considerably in 1948, and it was not the freight rate alone that was the cause of your troubles, as you indicated. Packing house wages went up in the East as well, did they not?

A I don't know that but I imagine so.

Q And you would not suggest that freight rates caused them to go up?

A I don't know what their problems would be.

Q On your thesis; at least, I would not think you would. Now, you complain that you cannot get a slaughtering rate on the Canadian National for horses for slaughter at Swift Current?

A Yes.

cases.

Q Was it your practice to advise your clients
does not know very much about. Before we go further into
purposes only, the -- or [illegible] -- I'm sorry, and let
in 1947 you -- was it possible only in cases
[illegible]
Q -- in 1946, before there was an, I suppose some insurance
you were going to buy per cent over the year
before?
[illegible] in 1946 months, this plant,
being [illegible] the operation. Almost every-
one was of course not -- modified war at all, so
labour.
Q That is right.
Q In fact they were literally crowding down, working
extra hours.
I am indicating that during the period it wasn't
your practice, I don't suppose, to insure
for the full amount of your
\ or not. Can they do it
In the Dog?
[illegible] I don't know that I understand.
Q I don't know that I understand.
[illegible] are you certain that you
[illegible]
[illegible] I don't know, I would think you
would. Now, you certainly that you [illegible]
[illegible] don't know that any problem [illegible].
[illegible]

Q. You understand the reason for that, do you not?

A. I would imagine it is because they feel that they cannot get the outward movement; but I think they could get a considerable amount of outward movement from the first point which the Canadian National has built.

Q. You know that both railways treat you and all others shippers the same, so far as that type of rate is concerned?

A. I would imagine so.

Q. When we were here almost two years ago to the day, Mr. L. B. Thomson presented a brief on behalf of the Horse Co-Operative Marketing Association, as its name was at that time; and I think it would save considerable time if I might refer the Commission to that brief, which is to be found in volume 758 of the proceedings of the Board of Transport Commissioners, beginning at page 7,237.

At that time the Chief Commissioner pointed out to Mr. Thomson, at page 7265, that under like circumstances and conditions each of the railways used you exactly the same; and Mr. Thomson's answer was: "That is right."

The rate on horses for slaughtering is one of those concessions which was granted by the railways in that period which we referred to when we were in Winnipeg, when things were bad.

At page 7262 of that volume 758, the Commission will find the following statement. I made this statement myself.

'MR. O'DONNELL: '..... in 1920, you will remember, Mr. Chief Commissioner, that the rates were increased, the cattle rates by 35 per cent. Then in

HH

1921 on the 1st of January the Board reduced the 35 per cent increase to 30 per cent, and then I am informed that in August, 1921, the railways voluntarily, without any order of the Board, took off the balance of that increase, and that since 1921 the cattle rate has applied to horses of this kind, and that what the railways now get is the cattle rate, which is considerably lower as I understand it, than the horse rate and that the increase which was given by the Board in 1921 was voluntarily abandoned by the railways in order to help at a time when there was a depression in the west and that increase has never been put back on."

And at page 7265 the Chief Commissioner drew attention to the fact that both railways treated these people inthe same way.

THE CHAIRMAN: Do you still have something further, Mr. O'Donnell?

MR. O'DONNELL: Yes, Mr. Chairman.

THE CHAIRMAN: Very well, we shall adjourn now until tomorrow morning.

-- At 4:55 p.m. the Commission adjourned to meet again tomorrow morning, Wednesday, June 8, 1949, at 10:30 a.m.

A.R.

Dr. H.A. Innis

Canada,

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUN -8 1949

VOLUME

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Please make the following change in Volume 6, June 8.

Page	Line	Change
975	16	"in your estimate" should read "to meet your case ."

ROYAL COMMISSION ON TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

REGINA, SASKATCHEWAN
Wednesday, June 8th, 1949.

HON. W. F. A. TURGEON, K.C. LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst.Secretary.

- - - - -

D. E. HARDING, Recalled

THE CHAIRMAN: Yes?

MR. COVERT: Mr. Chairman, when we left off yesterday we were dealing with the submission of Canadian Co-Operative Processors Limited, and I think Mr. O'Donnell was cross-examining Mr. Harding.

MR. O'DONNELL: Q. Mr. Harding, I think we just discussed briefly the matter of the increase in the wages in your Co-operative during the years 1947 and 1948. There is another item that occurs to me and which I think has some bearing on your position. Much of your shipments are sent to Belgium, are they not?

A Yes.

Q And did you not learn that the ocean rates had increased very considerably in 1947 and 1948?

A We do not prepay any ocean freight.

Q But as you say in your brief, I think those rates are reflected in the price you get for your product?

A We were only speaking of the rates to seaboard, and we included the freight cost to seaboard in our --

Q Did you not learn, as a matter of fact, that the ocean rates had gone up very considerably?

A No, we did not.

Q You did not know that.

THE CHAIRMAN: Since when?

MR. O'DONNELL: Well, from 1946 on.

Q At page 3 of your brief you indicate that the packing companies of the United States had only a limited interest at ruinous prices in western horses. What were the ruinous prices to which you refer?

Mr. H Kubby, ex-ex.

. . .

. . . . . , re-entry

. . . . . :

. . . . . , when we last saw Jo-

. . . . . Observed

. . . . . ed . . . . . ation of Cor . . . e-

. . . . . ere .

A This refers to the time before the organization of the Co-operative, and so far as I remember the prices mentioned by Mr. L. B. Thompson to the early meetings of the Co-operative at that time were something like one cent per pound, even less. $5 and $10 per horse were common figures.

Q Were they not nearer $5 a horse than $10?

A I do not really know.

Q Of course the Co-operative has only been going about four years, and the ruinous prices that you have set out in the brief are, according to you, $5 to $10. That is your understanding of what they were?

A Yes.

Q You say that the packing houses in the United States only had a limited interest. What do you mean by that, that they were only interested in taking a part of what you could supply?

A No, it was their interest in the raw material itself. In other words, in order to bring horses from the prairies across the line they were only able to pay a pretty small price to enable them to carry on their operations after paying the freight into the United States.

Q And they were competitors of yours and still are?

A Not at that time.

Q The United States packing houses are still competitors?

A Not at that time. At the time we are speaking of they were trying to get the United States interested in taking the raw material rather than us setting up processing plants.

[illegible]

[illegible]

[illegible]

Q And the United States, of course, were not interested, and the price you mentioned was $5 a head roughly?

A Yes.

Q And since the Co-operative has been packing and canning horsemeat your competitors are still the United States companies?

A Yes.

Q And that is the competition you are faced with?

A Yes, there is no Canadian competition.

Q Now, would you be good enough to tell the Commission what price per pound was paid for the raw material, for the horses, by the Co-operative during the period ending December 31, 1946, and in 1947 and 1948 up to the present time?

A Yes, I can get those. The initial price paid in 1946 was two cents per pound. We are always speaking there of a cash initial payment, of course. In 1947 the price varied, but it averaged about 2½ cents per pound, and that carried on through 1948 except for a period when it was 2-3/4 cents, but in the main I would say 2½ cents per pound.

Q What have you been paying in 1949?

A Two cents --

Q Two cents?

A Two and one-quarter cents and two cents. Two and one-quarter cents is the top grade.

Q What is the average, two cents?

A Yes, I think two cents would be an average.

Q Now, just as a matter of curiosity, who determines the price that the farmer will get for the horse?

A The Board of Directors.

The Board of Directors.

Q And I think you told the Commission yesterday that you thought the average price per horse would be about $30 during the period you have been operating, for a 1,200 pound animal?

A I used that as an illustration. I think the average horse would be 1,200 pounds.

THE CHAIRMAN: Q. About how much?

A Twelve hundred pounds at 2½ cents would be $30.

MR. O'DONNELL: Q. As a matter of interest, can you give the Commission the number of horses that were handled in the period ending December 31, 1946, and each year thereafter? How many horses did you handle in 1946?

A 1946, approximately 46,000 horses.

Q And 1947?

A 57,000.

Q And 1948?

A 42,000.

Q And 1949?

A I have not the 1949 figures.

Q Now, when we were here two years ago Mr. Thompson, if I understood him correctly, indicated that the net recovery per horse in 1946 was $13.75. Can you give any comparable figures for 1947 and 1948?

A No, I am sorry, but I have not those figures here. 1947 was - well, I would not like to give a figures at all, no.

Q Would it be higher or lower, do you think, than it was in 1946?

A I do not think it would be higher.

Q No, I think it would be somewhat lower. The demand

had fallen off, had it not?

A The demand --

Q For the material?

A For the products?

Q Yes.

A Oh, no.

Q 1946 was higher than 1947, was it not?

A No, there was a great demand for products in 1947. That was the year we shipped all of our products to UNRRA.

THE CHAIRMAN: Q. Did you say 1947 was your big year?

A 1947 was the big year.

MR. O'DONNELL: Q. When did the UNRRA shipments stop?

A We shipped some goods to UNRRA and the United Nations Children's Fund, which was somewhat the same organization, early in 1948.

Q And those are the last shipments you had?

A I think in May or June of 1948.

Q And you have had none of that business since?

A No, but we had similar business with the United States Army in 1948, practically the same sort of setup. It was relief shipments, the United States Army, from June, 1948 to December, 1948.

Q How did the price compare in 1948 with the price in 1947?

A For two months of 1948 the shipments to the United States Army were a cent a pound less, but during the latter half of 1948 it was a comparable figure with the

price to UNRRA.

Q And what was the cent a pound less? What was the price?

A The price was around 15 cents.

Q The price to the American Army was how much?

A I believe 15½ cents. It varied somewhere between 15 and 16; I think possibly it averaged 15½.

Q Now, the directors of your Co-operative are also members of the Saskatchewan Stock Growers Association, are they not?

A I believe a few of them are, not all.

Q Would you agree with this statement which I find in the brief of the Saskatchewan Stock Growers Association in paragraph 4 on page 6 where they say:

> "We also wish to point out that this Association has supported the activities of the Canadian Co-Operative Processors Limited, formerly Horse Co-Operative Marketing Association. Our members constitute the Board of Directors. Prior to the inception of the Co-operative members of this Association were trailing horses to Montana and sold them at $5 per head. We had to get rid of them."

Is that in conformity with your understanding of the facts?

A I believe when our Co-operative was organized the provisional Board of Directors were members of the Saskatchewan Stock Growers. Since that time, of course, we have expanded into Alberta and added Alberta directors.

Q What I do not quite understand is how your horses were being sold to the United States market, which had only a limited interest in your product at ruinous prices, the

the price being $5 a head. I do not understand how you could undertake to pay roughly $30 a head against American competition.

A Well, there was no competition at that time prior to the Co-operative being organized.

Q Well, there is now, is there not, and you are paying even more than that?

A There is competition at the present time, yes.

Q And very keen competition?

A But we are paying much less for the horses now.

THE CHAIRMAN: Q. How much are you paying?

A Half a cent per pound less.

MR. O'DONNELL: Q. That is 1½ cents now?

A No, we were paying 2½, and the average we are now paying is two cents.

Q And you are losing money doing that?

CROSS-EXAMINATION by MR. SINCLAIR

Q Mr. Harding, you get most of the raw material for your product close to your plant?

A Not any longer.

Q But the reason you located your plant at Swift Current was because that was the area in which the majority of the surplus horses existed?

A Yes.

Q Were these wild horses or farm animals?

A No, they do not like the term "wild horses" used because there are really no wild horses on the prairies. They are unbroken horses. They belonged to someone, and they are probably branded.

Q Were these horses the farmers had turned loose because they were no longer necessary on the farms due to mechanization?

A A lot of them were becoming that.

THE CHAIRMAN: Q. Pardon me a moment. You had to pay for them all, did you?

A Pardon?

Q Did you get any of those horses for nothing?

A No.

Q You had to pay somebody for them all?

A That is right.

MR. SINCLAIR: Q. The people you paid for the horses were your members?

A That is right.

THE CHAIRMAN: Q. You said yesterday you also bought from non-members?

A We bought from non-members but did not grant those persons a share in the Co-operative.

Q But there was no such thing as wild horses that you could go out and take?

A No.

Q They all belonged to somebody?

A Yes.

MR. SINCLAIR: Q. Were you able to establish ownership for all the horses that were in the area south of Swift Current in the gulleys and coulees down there? Wasn't it the man who caught them was the man you paid?

A That is right.

Q He was out hunting horses?

A In the case of that particular area there were a

lot of ranchers, and that area is in a brand inspection area of this province, and there would be a very serious penalty if anyone sold horses to the Co-operative and tried to claim ownership if it was not his brand.

Q But there were horses that were not ranchers' horses that were turned off farms and just allowed to run wild, were there not? That was a problem in Saskatchewan?

A They would have some brand.

Q They would all have some brand?

A I think practically every horse would have a brand of some sort.

Q On page 8 of your brief you speak of the 1948 deficit of your Co-operative, and you say that the main reason for the deficit in 1948 was discriminatory freight rates and other transportation difficulties.

THE CHAIRMAN: Where is that?

MR. SINCLAIR: It is the second paragraph on page 8. It reads:

"The net effect of increased costs was a deficit on 1948 operations", and so on.

THE CHAIRMAN: Yes.

MR. SINCLAIR: Q. You could have easily overcome that deficit by reducing the price you paid to your members for the horses in the first instance, could you not?

A We could have done that, but we felt that the producers were only now getting a fair return for their horses.

Q Well, there is an advantage taxwise, is there not, in not showing a profit on the operations of your Co-operative?

A No, not at all.

Q Would you mind explaining that to me?

A If there are any earnings of the Co-operative they are considered as a final payment. The producer, you understand, gets only a cash initial payment on delivery, and the earnings of the Co-operative are credited back to all of the producers who deliver in any particular year, on the basis of live weight of horses delivered, and that is considered the balance of the payment that was due to him when he delivered his horses.

Q That is earnings though. If you operated constantly at a deficit so-called then there is an advantage taxwise, is there not?

A The only case there would be if we operated continuously at a deficit. Then the Co-operative would find itself in a position where it would have to dispose of its assets possibly, and then the producer who owns the business would have to take less for every dollar of his assets than otherwise.

Q Under the income tax laws are you not allowed to deduct patronage dividends before arriving at your net taxable income?

A Our Co-operative is not in the class of patronage dividends at all.

Q You do not pay a tax of 3 per cent on the capital invested as a minimum?

A Up to the present time we have only been taxed on business we do with non-members.

Q Oh, so there is really an advantage in keeping your net income low?

not income tax?

Q. Is there really an advantage in keeping your business as it is with non-members.

A. If to the present time we have only been taxed on

I vested [illegible] mutuals.

Q. You do not pay a tax of [illegible] per cent on the profits?

A. No, not at all.

Q. Would you mind explaining that to me?

A. If there are any profits in the co-operative they are considered as a final payment. The producer, you see, gets only a cash price [illegible] payment on delivery, and the earnings of the co-operative over a certain peak to all of the producers who deliver in any particular year, on the basis of live weight of horses delivered. The last time we considered the payment that was in [illegible] when we delivered his horses.

Q. That is evening things. If you operated commercially at [illegible] when there is no profits, income, in there not?

A. The only case there would be if we [illegible] find itself in a position where it would have to dispose of its assets possibly, and then the producer who owns the business would have no take [illegible] his assets when otherwise.

Q. Under the income tax laws are co-op [illegible] taxable income?

Q. If the co-operative is not in the [illegible] dividends at all?

A. No, not at all.

Q. [illegible] Mr. Gardiner, ex-ex.

A That is not the purpose.

Q It may be just a fortunate result?

A That is not given consideration by the directors at all. The consideration is to make sure that all of the returns go to the producers.

Q We will call it a fortuitous circumstance. Now, Mr. Thompson was the former President of your organization?

A Yes.

Q Would you agree with this statement, and I am quoting from the report of the annual meeting as set out in the Swift Current Sun of April 13, 1949. It is reported that he said:

> "Conditions which had cropped up in 1948 to create an unexpected deficit in operating were wage increases, freight rate increases, the fire which tied up the plant just when it was badly needed, and cutting off of the army contracts which would have taken the canned meat stockpile. However, he was very hopeful that the future was bright."

Would you agree with that?

A Did you say that was a newspaper report?

Q Yes.

A I was at the meeting, and I believe all of those things were mentioned. Mr. Thompson did stress transportation costs.

Q Did he say it was the main thing?

A I believe one of the main items. I would not say he said it was the main one.

Q It was one of the things?

A One of the main ones.

Q In answer to the Chairman you stated that the market for your product was Belgium, and that your competition came from the United States. Do you know the rates on American railroads for horses inbound, and for the product outbound to seaboard?

A No, I do not, but I know that they were able to purchase horses in Canada at the price we were paying for them and take them as far as Los Angeles, and apparently still be able to get a price for their product.

Q And process them?

A And process them.

Q Well, then, there is no real necessity for having a plant at Swift Current, is there, for the advantage of your members?

A Well, except that now the members feel that they have assets there valued at $1,000,000 which can possibly be converted into something which will be a further asset to the producers of the prairie provinces.

Q Are you competing with American buyers for horses in Saskatchewan?

A Not at the present time.

Q Your price is too high, is it not?

A No, we are not buying many horses.

Q On page 12 of your brief you state that there are 463,300 horses in Saskatchewan and 376,600 horses in Alberta?

A Yes.

Q That is the farm horse population of the two provinces, is it not?

A That is the total horse population.

Q On farms?

A I would imagine so. These are provincial government statistics. I am not sure how they arrive at them.

Q Are you suggesting to the Commission that people are in the breeding of horses and the raising of horses for sale to your processing plant?

A No, the figures would indicate that there has been a very large drop each year in the total horse population. We are only indicating there that there still must be a large surplus horse population in those two provinces.

Q And if the horses were not processed they would be an absolute loss to the farmers?

A They would be a liability anyway, especially if he is trying to raise livestock.

Q That is why you say your industry is not permanent?

MR. MacPHERSON: He says horse processing is not a permanent industry. He has not said that processing is not.

MR. SINCLAIR: Q. All right, horse processing is not permanent. Then, Mr. Harding, you suggest the building of certain branch lines?

A I do not think we suggested that at all.

Q Well, you suggest that there would be shorter routes. For instance, you suggest that the Canadian Pacific might very well build a branch line from Shaunavon to Simmie, 33 miles. You support other briefs in saying that a line should be built between Val Marie and Mankota which is 37 miles, and that Bengough should

be joined to Horizon, which is 20 miles. If you add those up that comes to 90 miles. What do you think it costs to construct a mile of railway at today's prices? Have you any idea?

A We don't know, and I would like to point out that I do not think that we have suggested any place that these gaps be completed. We simply give a comparison of what would happen if the gaps were completed, to show the discrepancies the way they are now. We simply point out in the brief the transportation difficulties of our company. We feel that they are very great difficulties.

THE CHAIRMAN: Q. At the present time is your processing confined to horses?

A Yes, entirely.

MR. SINCLAIR: Q. Mr. Harding, when you were talking about the movement of horses out of the Val Marie area west to Consul and back you talked about the mileage. You knew, of course, that the rate was figured on the shortest mileage irrespective of where the horses were moving?

A I think our buying department is pretty well aware of that.

Q So that actually while the horses go away up to Moose Jaw the rate is figured on the mileage via Meyronne to Swift Current?

THE CHAIRMAN: Q. Is that so?

A I would not say I knew that, but we did know that by another route it would be a shorter ride. The big feature there is that a three day journey for horses is going to take much more weight off them than a one day journey.

MR. SINCLAIR: Q. It is not the rate particularly? A It is the distance.

THE CHAIRMAN: You made a statement and Mr. Harding agreed to it about the routing and the rates.

MR. SINCLAIR: I may have misunderstood him but I do not think so. He was talking about the movement from Val Marie, and he talked about the long haul via Notukeu or Consul Junction and then away back to Moose Jaw, and then down the main line to Swift Current. I was putting it to him that even though the horses moved that way that the rate was figured on mileage via Meyronne and Neville into Swift Current. That branch line goes down there from Swift Current and joins with the line between Shaunavon and Moose Jaw at Meyronne.

THE CHAIRMAN: That is to say they pay only the amount of the shorter haul?

MR. SINCLAIR: That is right.

THE CHAIRMAN: Although they go away up to Moose Jaw?

MR. SINCLAIR: That is right.

THE CHAIRMAN: Are these all Canadian National lines that we see on this chart below Swift Current?

MR. MacPHERSON: All Canadian Pacific. The Canadian Pacific has a monopoly in that district.

MR. SINCLAIR: It is a great business to have a monopoly. It is just that the freight rates are figured on the shortest mileage. When operating conditions might dictate movements via longer mileage the rate is still figured on the shorter mileage.

MR. O'DONNELL: If it would be a convenience to

you and the members of the Commission we could have copies of this map provided. It shows both the C.N.R. and C.P.R. lines through that area. We can get copies.

MR. FRAWLEY: This map must be made under the C.P.-C.N. Act.

MR. O'DONNELL: I imagine so.

MR. SINCLAIR: We might file that as an exhibit.

EXHIBIT NO. 9: Map showing C.N.R. and C.P.R. lines.

MR. SINCLAIR: That is all.

MR. O'DONNELL: Mr. Evans draws it to my attention, Mr. Chairman, that if the Canadian Pacific map is used the red and green are just the reverse of what they are on the Canadian National map. On this map the Canadian National lines are shown in red and the C.P.R. in green whereas on the other map --

THE CHAIRMAN: They change the colour.

MR. MacPHERSON: It is an indication Of cooperation that the provinces appreciate.

RE-EXAMINATION by MR. MacPHERSON

Q Mr. Harding, Mr. Sinclair was asking you about your knowledge of the rate over the shortest route, and you started to tell him that there was also the time factor?

A Yes.

Q Will you explain to the Commission exactly what you mean by the time factor?

A Well, in connection with this example that was used --

Q Yes?

A That particular example of taking horses from Val Marie, it is not simply the rate that is involved. If we can get the horses to that plant in one day it means a great deal more in returns to both the producer and the Co-operative.

THE CHAIRMAN: Q. Is that on account of shrinkage?

A On account of shrinkage. If the horses are on the road three days and have been unloaded, fed and watered at a couple of points, there will be much more excessive shrinkage, and the producer being paid for that horse at the plant will receive much less on account of it, and of course it is less poundage as far as the Co-operative is concerned.

Q You have an investment in plant of about $1,000,000 there now?

A Between the two plants.

Q And recently you changed the name of the corporation from the Horse Co-Operative Marketing Association Limited to the Canadian Co-Operative Processors Limited?

A Yes.

Q Was there anything behind that change of name?

Page 940 follows

A. Well, there were several things. First of all, we had technical difficulties in registering in other provinces.

Q. Yes, but apart from that.

A. And there was provision in the Act that if the shareholders of the co-operative and the Board of Directors felt that, at some time, they wanted to go into the processing of other livestock, it would be possible.

Q. And did you have that in mind when you changed the name to Canadian Processors Limited.

A. That is right.

Q. Processing not only horses, which you believed was not a permanent thing, but cattle and other livestock as well.

A. That is right.

MR. MacPHERSON: Thank you.

COMMISSIONER INNIS: Q. Do you get pretty wholehearted cooperation from the railroads in general, concerning the plans which you have in mind? I see a reference to the slaughter rate. Does that mean that there was a long discussion with the Canadian Pacific as to whether they would give you that particular rate?

A. So far as I know there was no long discussion with the railroads before the plants were established. I would not say that.

Q. You do not know when the slaughter rate was established?

A. The slaughter rate was established when we were ready to process the first horse.

MR. O'DONNELL: That slaughter rate, as I mentioned yesterday, has been there since 1921. It has been there for a long long time.

MR. MacPHERSON: The slaughter rate does not affect movements over the Canadian Pacific.

MR. O'DONNELL: Both railrodds have the same item in their tariffs. Tariff supplement 9 to W1871 has an item under special commodity rates: "Horses for slaughtering, the product to be re-shipped via Canadian National"; and there is a like item in the Canadian Pacific tariff; and that has been there for years, before you established your plants. Moreover, you selected your own site.

MR. MacPHERSON: The difficu lty which the corporation had, concerned the fact that Swift Current was not a competitive point between two railways. Since it was on the Canadian Pacific there was no difficulty with a slaughter rate on the Canadian Pacific. But since it was not a competitive point on the Canadian National, the Canadian National denied them a slaughter rate.

MR. O'DONNELL: There was no tariff for it. That is well understood by everybody.

MR. MacPHERSON: You say there was no difficulty with a slaughter rate so far as the Canadian Pacific was concerned; but so far as the Canadian National is concerned there was?

MR. O'DONNELL: That is not a fair way to put it.

THE CHAIRMAN: A fair way to put what?

MR. O'DONNELL: The right to a slaughter rate.

The slaughter rate has been there since 1921 or 1922; and their plant was built long after the slaughter rate had been in the tariff. I am only talking about the slaughter rate.

THE CHAIRMAN: Is the slaughter rate one of the commodity rates?

MR. O'DONNELL: Yes, it was a concession granted by the railroads back in 1921 or 1922 , when there was difficulty in the livestock industry.

THE CHAIRMAN: By both railroads?

MR. O"DONNELL: Yes, Mr. Chairman, and it has been on the record ever since; and the slaughter rate was created by the railroads on the condition that outbound movements be given to the road which gave the cheap rate in. That is the rule.

COMMISSIONER ANGUS: Where is the change?

MR. O'DONNELL: A shipment originating on the Canadian National would be taken from a point on the Canadian National to an interchanging point on the Canadian Pacific where it would be turned over.

COMMISSIONER ANGUS: Would there be a similar slaughter rate with them all along?

MR. O'DONNELL: On the previous shipment, it would be on the ordinary rate, and it would apply on the same thing, throughout.

THE CHAIRMAN: Is that your complaint, Mr. MacPherson?

MR. MacPHERSON: That is my complaint. I am not agreeing that the haul might be a short haul, because, in the nature of things, the haul might be a longer haul

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to the interchanging point.

MR. O'DONNELL: It might be.

MR. MacPHERSON: Under existing tariffs and rules the corporation cannot obtain it. Myfriend does not like the term "deny"; but we cannot obtain from the Canadian National a slaughter rate over the Canadian National lines to Swift Current because Swift Current is not a competitive point. But in Edmonton, because Edmonton is a competitive point, slaughter rates apply both over the Canadian National and over the Canadian Pacific. So the witness complains there is discrimination against Swift Current under the tariff simply because Swift Current is not a competitive point.

COMMISSIONER ANGUS: Apart from the difficulties of this particular temporary industry, is there not a suggestion that the railways should especially collaborate a little more and compete a little less?

COMMISSIONER MacPHERSON: Of course, there is this idea which I would like to leave with the Commission, but so far as my re-examination of the witness is concerned, the corporation has full knowledge of it. They consider it a transient period, in the matter of horses, towards processing other livestock as well as horses, ultimately.

COMMISSIONER INNIS: Iwas anxious to get some light on the general agencies of the railroad in building up traffic. I assumed that some negotiations had gone on which rather encouraged them toestablish this plant at Swift Current, and that the Canadian Pacific was rather anxious. That is the reason they would do what they could.

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A. No. The provision had been there for the slaughter rate, providing there was a competitive point.

Q. Do you feel that freight changes on the railways might be of particular assistance to you?

A. So far as the Canadian National is concerned, I suppose there was nothing they could do because of the tariff.

Q. Well then, what about the Canadian Pacific?

A. We are not complaining of operations at all. They simply adhere to the tariff.

THE CHAIRMAN: Q. On a shipment going all the way, via Canadian Pacific, to Swift Current, what rate does it carry?

A. The slaughter rate.

Q. Is there any other rate you would prefer to have?

A. No, the slaughter rate is the rate we want. When you pay the full horse rate, we have to go further afield for our horses; and we have to use Canadian National Lines more and more; and not only dowe have to bring horses farther distances on the Canadian National lines but often we are bringing the horses farther to a common exchange point.

MR. MacPHERS ON: The Commission will see that in the northern part of this province there are more Canadian National than there are Canadian Pacific lines; and if, as the witness aays, they must go farther afield, in the very nature of things, the slaughter rate position in which they find themselves, is going to be more and more aggravating.

THE CHAIRMAN: You are talking always of the Swift

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Current plant.

MR. MacPHERSON: The Swift Current plant.

THE CHAIRMAN: It is a question of whether they go all along. You were talking of competition. There is no competition in Swift Current; while the Canadian Pacific provide a slaughter rate to Edmonton, you have competition there, and both are given the slaughter rate.

MR. MacPHERSON: The tariff provides that a slaughter rate shall be given in the event that the point is a competitive point.

THE CHAIRMAN: If a shipment on Canadian National was to have its terminal at a Canadian Pacific point, you would get the slaughter rate?

MR. MacPHERSON: That is right. Thank you, Mr. Harding.

MR. EVANS: Before the next brief is presented, I would like to draw the Commission's attention to page 808 of the transcipt.

THE CHAIRMAN: Is that on this point?

MR. EVANS: No, Mr. Chairman, there is just an error in the transcript which I thought should be corrected. Mr. Turnbull was giving evidence and he said that hethought that the minimum express rate was 75 cents and I, apparently assented to it. I now find thatthe minimum express rate is 50 cents, and that is borne out by/a subsequent brief of the poultry board, which deal with it on thatbasis.

MR. MacPHERSON: That is correct. There is a 50 cent rate, but I think it is restricted to eggs.

THE CHAIRMAN: Not to butter?

MR. MacPHERSON: No, not to butter. I do not think there is any minimum of 50 cents on butter.

THE CHAIRMAN: What about that? We were talking about breamery butter. Mr. MacPherson says he understands that the 50 cent rate applies only to eggs, not to butter.

MR. EVANS: I shall have to check my information.

MR. MacPHERSON: I think you had better check it again!

THE CHAIRMAN: So there is nothing to be done about it for the present.

MR. EVANS: Well, I was only stating what I believed to be the case.

MR. FRAWLEY: The Board order which resulted from the 21 per cent case provided a minimum charge for single L.C.L. shipments between any two stations, thus, No. 70425:

> "The minimum charge for a single L.C.L. shipment between any two stations to be 100 lbs. at first class rate but not less than 75 cents."

There was some dealing with the railways afterwards and the railways made some adjustments, but only in a limited number of instances.

MR. COVERT: The next presentation will be that of the Saskatchewan Cattle Breeders Association.

G. F. CONNELL, called

MR. MacPHERSON: Q. Mr. Connell, you are presenting a brief on behalf of the Saskatchewan Cattle Breeders Association?

A. Yes.

Q. And you have been associated with the Saskatchewan Cattle Breeders Association for how long?

A. I think for more than 20 years.

Q. You actually live close to the city of Regina?

A. Yes.

Q. And you have lived here for how many years?

A. Thirty eight years.

Q. Thirty eight years; and during that time you have been interested in cattle breeding in this province?

A. I have had purebred cattle on my farm for 26 years.

MR. MacPHERSON: You are to present this brief so will you kindly proceed.

THE WITNESS:

Honourable Mr. Justice W. F. A. Turgeon, K.C., Chairman: The Saskatchewan Cattle Breeders Association represents 8,735 breeders of Pure Bred Cattle within the province.

These breeders are largely located on farms distributed all over Saskatchewan from far beyond the Battlefords and the Carrot River Valley to the International boundary and between the Manitoba and Alberta boundaries on the east and west.

The chief objective of the Saskatchewan Cattle Breeders Association is to encourage improvement in the quality of animals used for breeding purposes and to assist young men interested in Pure Bred stock to select animals of good breeding and conformation with a view not only to preserving the best type of animal but also to improving upon it.

In order to appreciate the position of the breeder of Pure Bred cattle in connection with the proposed doubling of the freight rate now paid by Pure Bred cattle breeders I would like to explain that the industry is very closely tied in with ordinary farming or what is some time called mixed farming.

We recognize that this Commission is not empowered to perform functions entrusted to the Board of Transport Commissioners in the matter of adjusting or altering rates on specific items. The live stock interests are at present dealing with the railways and the Board of Transport Commissioners on the subject of exhibition and Pure Bred live stock rates. However, we feel that a principle is involved which can be illustrated by presentation to your Commission of the situation in which producers of Pure Bred animals find themselves.

In view of the long drought suffered by Saskatchewan farmers and the deterioration of farm buildings and equipment which have not as yet been fully repaired or replaced and with a subsequent declining rural population, one of the few attractions that remains toinduce young people to follow an agricultural life is the special attraction created by the Pure Bred animals on the farm.

It is quite true that the channels of revenue from any farm are so limited that no farmer could continue to breed pure bred animals at less than cost. Before entering into a discussion on costs I would like to relate a factual story of a policy practised by the Canadian Pacific Railway some fifty years ago. In the year 1899 George Bulyea, who later became Lieutenant Governor of Alberta, drove a team of horses hitched to a buckboard from Qu'Appelle to the Brandt homestead at Edenwold. Mr. Bulyea had received word that the C.P.R. was giving away pure bred bulls. The one condition was that the recipient of the bull must make him available for service within a certain radius for two years. The following Spring a shorthorn bull was shipped from the Van Horne farm in Manitoba to Mr. Brandt, freight paid. Mr. Van Horne was president of the C. P. R. at that time. Mr. Brandt's young son John was so impressed with the improvement of the first crop of calves that he selected a steer and won the Grand Champtionship at Both Regina and Calgary. John Brandt frankly admits that it was the C.P.R. -Van Horne bull that attracted him into the pure bred business and he later became one of Saskatchewan's foremost pure bred shorthorn breeders and he estimates that in the past

fifty years he has shipped by rail 700 pure bred cattle.

This case might be multiplied hundreds of times as a result of the C.P.R. policy of that time, but suppose we put this policy of encouragement in reverse and the same number of young men with ability to handle pure bred cattle were discouraged by a doubling of the freightrates which have had so much to do with the building up of the industry. The result would be a deterioration of gains made by the quality of cattle, less tonnage for therailways to handle and a general decline in the livestock economy of Canada.

The breeder of pure breds supplies the seed stock to the commercial industry. He is thepioneer of the cattle business and must always continue to be. There is no place where he can say that the objective has been reached. He must continue to invest large sums of money in new blood in hope of improvement. May I list a few extra items that the breederof pure breds must look after and pay for.

1. Keeping records and looking after registration.
2. Transfer of ownership after sale.
3. More careful feeding of breeding livestock.
4. Better fences to insure safety from scrub animals.
5. Testing for tuberculosis and bangs disease.
6. Tattooing and registration of the tattoo.
7. Extra labour at high cost.

Q. MR. MacPHERSON: What does tattooing mean there?

A. It is used for identification. We use a little pair of pinchers which pierce the ear. Then we rub on a black paste which seals over the hole. It is a vegetable compound, and it is there for the life of the animal.

Q. And that is for identity?

A. For identity, yes,

Q. Would you go ahead, please.

A. At the present time the average margin between the price of pure bred bulls and steers has practically disappeared.

With the increased freight rate of 21 per cent in 1948 and the propssal to double this new rate would make an increase of 142 per cent over rates in effect before April 8, 1948, which seems very severe.

MR. MacPHERSON: Q. To clear that up, let me say there was a rate in force on April 8th, before April 8th, 1948, and that rate was increased 21 per cent.

A. Thatis right.

Q. And now the railways propose to double that increased rate?

A. Yes.

Q. So that the rate which you say would be in effect would be 142 per cent of what it was on April 8, 1948; is that 142 or is it 242?

A. 142 per cent, yes.

Q. Very well, continue please.

A. The following examples will show comparative costs in dollars in shipping pure bred animals before and after altering the rates.

Q. These two examples, I think, can be read into the record. They show what the cost was in the 1947 rate. Then the 28 per cent; and then the special rate cancelled (double 1948 rate);there are two examples, one covering the shipment of one animal, and the other covering the

shipment of 160 animals.

7 freight cost	1948 cost 21 per cent added	1949 With special rate cancelled (double 1948 rate)
$8.55	$10.35	$20.55

Example (2) of shipping 160 bulls to their new homes m the Regina bull sale.

8 freight cost m 1948 spring sale	1949 freight cost from 1949 sale (21 per cent added)	Proposed 1950 freight cost if new rates go into effect
$1,322.83	$1,600.62	$3,201.25

I do not pretend to tell the railways how to run their business but I am quite familiar with farm life in rural Saskatchewan and I am certain that a large percentage of breeders of pure breds would be discouraged from continuing attempts to improve their breeding stock and thequality of the breed would suffer.

Nature moves very slowly. The percentage of outstanding animals in any herd of cattle is small and the number of good breeding bulls in Saskatchewan is in short supply at present.

In recent years the demand for higher quality beef products has increased, not only in our local market in Canada but from consumers abroad. Cattle on the range of the rancher means beef in the butcher shop to the city consumer, but the commercial cattle breeder can only supply the butcher shop with beef of the degree of quality that he receives in the original seed stock.

The Canadian economy can ill afford to lose an export market to other competitors through lack of ability

to compete in quality due to a falling off of the supply of pure bred seed stock. This could result in a reduction of long haul live stock traffic. The farmer would be the first to suffer but his loss would be small by comparison. He would buy less farm implements and equipment, and less live stock concentrates and supplies for his family, all of which must be hauled long distances over the prairies by rail. The packer would employ less labour and he would have smaller quantities of meat products to ship.

It is well known that the average farmer's and live stock breeder's business it not large enough to afford the opportunity of travelling away from home with a view to inspecting progress made by other breeders and the possible choosing of suitable animals to add to the home herd. This difficulty has been largely solved in the past by personal inspection and often the purchase of a number of choice animals from the show herds which travel across Canada and from the United States during the time of the agricultural fairs and exhibitions.

The Western agricultural and industrial exhibitions have always experienced difficu lty in attracting enough men owning herds of cattle large enough from which to select a show herd and willing to exhibit on the A circuit due to the heavy cost of shipping on past rates.

The following examples will show comparative costs in dollars of shipping pure bred animals for exhibition purposes by the carload.

MR. MacPHERSON: Q. These two examples, I think might be read into the record. You give two examples there

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showing the shipme of a carload of pure bred cattle from Regina to the Royal Fair; and the other from Watford to the fairs in the West, that is, to the class A fairs.

A. Yes. Example (1) of shipping a carload of pure bred cattle around the Western A circuit from Watford, Ontario, and return, (See appendix B)

1947 freight cost	1948 freight cost 21 per cent added	1950 freight cost with special rate cancelled
$305.00	$370.00	$780.00

Example (2) of shipping a carload of pure bred cattle from Regina, Saskatchewan to Toronto, Ontario for exhibition at the Royal Fair.

1947 freight cost amounted to	1948 - 21 per cent added cost was	1950 freight cost with special rate cancelled coust would be
$256.16	$309.95	$619.90

The result of the proposed changes would be:

1. Cattle suitable for exhibition would remain at home.

2. Prospective purchasers would lose the opportunity to inspect the most choice animals of the particular breed.

3. The agricultural exhibitions would immediately suffer a setback.

4. Agricultural exhibits have always been the backbone of the exhibitions and fairs. With the withdrawal of those echibits the Dominion Government would not be

justified in continuing grants necessary in support of the continuance of the show.

5. The railways would lose shipping revenue. Less labour would be employed. There would be less money to purchase supplies from industrial centres not located on the Prairies. There would be less passenger fares collected and less catering of many things such as clothing, manufactured food supplies and other equipment all of which must be hauled long distances over railways at high cost to the purchaser.

In conclusion I submit that in a province such as Saskatchewan where travel distances are great and due to our geographical position in Canada, we are absolutely dependent on the railroads for transporting almost all we buy and almost all we sell. We, therefore, now pay heavily for transportation.

In this specialized business of breeding for improved quality where costs of production are high and profits uncertain a sharp increase in freight rates would cause a serious blow to the industry and indirectly to the economy of Canada. The Pure Bred live stock industry has developed under tariffs which have been in effect for a quarter of a century, and our whole business is based upon these rates. We have always regarded them as a part of the basic freight rate structure and certainly these rates are essential to the development and maintenance of the Pure Bred live stock industry. We now find that apparently the railways can alter drastically the basis of these rates.

Consequently one of the basic items in our costs is largely in their hands because transportation enters into our business at many points. So important is stability of freight rates in our industry that we feel such drastic increases as are now proposed by the railways should not be

permitted solely at their discretion. We fell that no railway company should be in a position to exercise so great an influence on the Pure Bred live stock industry. In effect they are in a measure deciding its fate. There should be no question as to the powers of the Board of Transport Commissioners to exercise control in matters of this kind.

Respectfully submitted,

G. F. Connell,

Director and Past President,

Saskatchewan Cattle Breeders Association.

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A P P E N D I X A

PEDIGREED LIVE STOCK

One 18 month Bull (Pure Bred) minimum 1500 lbs. Regina. Saskatchewan to White Fox, Saskatchewan (L.C.L.)
(Rates in cents per 100 lbs.)

OLD RATE	CHARGES	xPRESENT RATE	CHARGES
57	$8.55	69	$10.35

After May 31, 1949, rate and charges would be:

RATE in cents per 100#	CHARGES
137	$20.55

Source: C.P.R. No. W. 790 A.

- -

x Operative until 31st May, 1949

A P P E N D I X B

About 12 cattle (Pure Bred) Watford,Ontario, to Western Canada for Exhibition Minimum 20,000 lbs.

FROM	TO	MILEAGE	AT OLD RATE RATE IN CENTS PER 100 LBS.	CHARGES
Watford, Ont.	Brandon,Man.	1472	88½	$177.00
Brandon,Man.	Calgary,Alta.	690	24	$ 48.00
Calgary,Alta.	Edmonton,Alta.	195	12	$ 24.00
Edmonton,Alta.	Saskatoon,Sask.	327	16	$ 32.00
Saskatoon, Sask.	Regina,Sask.	161	12	$ 24.00
Regina,Sask.	Watford,Ont.	1694	NO EXTRA CHARGES	
	TOTAL CHARGES			$305.00

Source: C.F.A. 5 H. [x]117 C. C.P.R. W.9.A.; W.9 B;W.100 A

[x]Expires December 31st, 1949

(Table continued on next page)

APPENDIX B (cont'd)

FROM	TO	AT PRESENT RATE RATE IN CENTS PER 100 LBS	CHARGES	RATE AND CHARGES AFTER 31st Dec.1949 RATE IN CENTS PER 100 LBS.	CHARGES
Watford,Ont.	Brandon,Man.	107	$214.00	107	$214.00
Brandon, Man.	Calgary,Alta.	29	58.00	57	$114.00
Calgary, Alta.	Edmonton,Alta.	15	30.00	30	60.00
Edmonton,Alta.	Saskatoon,Sas.	20	40.00	39	78.00
Saskatoon,Sas.	Regina,Sask.	14	28.00	28	56.00
Regina,Sask.	Watford,Ont.			129	258.00
	TOTAL CHARGES		$370.00		$780.00

MR. MacPHERSON: Q. Now, Mr. Connell, there are two appendices, Appendix A and Appendix B, Appendix A of one 18-months old animal, at the old rate, the present rate, and the charges ---

COMMISSIONER INNIS: Mr. MacPherson, I notice on Appendix A, "After May 31, 1949"; does that mean that those rates are now in effect?

MR. MacPHERSON: Now in effect, yes. The position is, there are two points raised in the brief in respect of rates, Dr. Innis. In respect of the pure bred cattle, the new rate was to become effective on the 31st of May; then there is also the movement of show cattle to fairs; that is the 31st of December.

. Now, the second appendix, B, would be the freight bill of handling 12 cattle from Watford, Ontario, to Western Canada for exhibition; why did you, for instance, take Watford, Ontario?

A. Well, the farmer is interested more in how many dollars it is going to cost to move in freight, but, in order to make it more clear and follow a circuit around, we put this in. Well, it just happens that there is a breeder of Aberdeen Angus cattle at Watford that I know very well, and I just thought of him and took his case.

Q. He is a man who breeds Aberdeen Angus cattle?

A. Yes.

Q. And then he comes west and attends the fairs?

A. Almost regularly.

Q. Now, is there anything else dealing with the

pure bred cattle industry, or any efforts that have been made in recent years upon which you would like to comment?

A. Well, I would like to just say a few words, Mr. Chairman, by way of stressing the last thought expressed in the brief. Early in the brief I referred briefly to a policy that the C.P.R. used some fifty years ago, and there is no question about it that it returned handsome profits to both the producer and the railroad. Then we got along very well until the drouth of the thirties struck us, and then we were told from every direction that unless we produced more livestock in a more general way over the whole province we could not expect to survive. Then in 1931, with this in view -- money was very scarce with farmers -- the Dominion Rural Credits Association was formed. The railroads were very strong in their support of that organization and backed it up with large sums of money. That policy has done some wonderfully good work throughout the province.

Q. That is the Dominion Agricultural Credit Association?

A. That is right, yes.

THE CHAIRMAN:Q.Is it still going?

A. That is part of our trouble; I understand that it has been closed up just this week.

MR. MacPHERSON: Q. It was started in 1931, I think, and operated and advanced money for the purpose of buying foundation stock; I think that was the principle, was it not?

A. Yes, that is what it was for.

Q. And it has, I think, closed up in the past few days?

A. I think just this week. Then we came into 1937, after increasing again from 1931 to 1937, and there was no feed anywhere, there was not enough in the province or in any of the surrounding provinces to haul it in. We had to get rid of a large percentage of that stock. But our people were not discouraged; they went at it again. Then the war came along and the Dominion Government asked us to produce more meat products. Well, our people got busy, and Saskatchewan increased her livestock output by 117 per cent, by far outstripping every other province in the Dominion. Manitoba was our next nearest competitor, with an increase of 73 per cent. Now, after that organization, that Agricultural Credits Association, which did good work, it had such strong backing, hopes were great, and that was not very many years since it was formed; now it has ceased to function, so that makes us people feel rather alarmed at this sort of right-about-face policy. I do not say that I was asked to speak for all pure bred breeders in the province -- that is, the Horse Breeders Association, the Cattle Breeders Association, the Sheep and the Swine -- but I felt that it would only lengthen the brief and be a lot of unnecessary explaining, when the basic principle involved was almost identical in all, so this was prepared just under the name of the Cattle Breeders, but I would just like to make that connecting link. We pure

bred breeders in the province feel very much concerned about this. In effect the railroads are saying to us right now, We led you on over a long period of years by policies of encouragement. Now you have large numbers of livestock, pure bred stock, on your hands; we have you trapped. Now you must pay us 142 per cent of freight rates that you paid just a little over a year ago to move any animals." And we are so much concerned about the lack of stability in the basic freight rate that we believe that no organization such as the railroads in this particular case should be in a position to wield such power over the daily life of agricultural people.

Q. Thank you, Mr. Connell.

EXAMINED BY MR. COVERT

Q. Mr. Connell, I think you understand that this Commission is not an appeal court, or cannot fix rates or give any change of classification or anything like that?

A. Yes, that is my understanding.

Q. What you are doing is showing the effect of the changed freight rates in this particular instance?

A. That is what I was trying to do.

Q. I take it that one of the main points is that this special rate which you have has gone on for such a long period of time that you suggest it is not like an ordinary rate, that you should not be able to change it because industry has grown up on that basis; is that it?

A. Yes; we feel that it was in force so long. I do not think many of the breeders thought very much about it. The industry was built on it, and prices paid in

line with what freight they paid for movements; that is, they just accepted it.

Q. Now, let us assume for the moment that because it is a special rate perhaps the railways feel they are losing money; what I want to find out is, have you any suggestions as to what principles should be adopted in a case like that, if it is a loss rate, if it is a low rate? I notice, for example, that the old rate seems to figure out to a little less than 7 cents per car mile. Now, if that is a loss rate, nevertheless you feel that this industry is so important that it should be preserved, and presumably the railway should stand that loss and perhaps raise its revenue in another field; is that right?

A. Yes, I think that is about the feeling; I don't know. I tried to find out what number of pure bred animals were moved by rail in the province, but I did not manage to get that. Even if the rate on pure bred animals did suffer, this industry is tied in so closely with other farming, and we feel that right here in Saskatchewan practically everything we use or send out -- we are an exporting province, everything has got to be shipped out -- we pay very heavily in freight rates, and, since the industry has been built on that so long, it is going to upset it.

Q. I follow you exactly. You see, what I am trying to arrive at is this, that we would like some help in the way of establishing principles. For example, we receive briefs that urge equalization of rates, and we receive other briefs that say they should be on the basis of cost to the railway. Now you say, as I take it, that

there should be exceptions to principles of equalization or principles of cost; I think it depends on the importance of the industry to the province, perhaps?

A. I am not much for asking for exceptions to anything. I like to get on with what I have to do. But the trouble is, this has been in force for so long that the whole thing is built on it, and you get away from it now.

Q. Then I take it that is the main point you stress, the length of time that this rate has been in effect?

A. I think so, yes.

Q. The important factor which makes you feel it just should not be raised even though the railway needs the revenue, that they should find it somewhere else?

A. I think, for the number of pure bred cattle that are moved in the province, the total amount would not be a very large sum compared to other business done in the province. I think I should point out that the farmers' unit is so small that even that is much to him.

Q. Mr. Connell, would you suggest that perhaps the Commission should recommend that wide powers be given to the Board of Transport Commissioners to investigate a situation like this and put in special rates to encourage an industry of this kind?

A. I think it is worth considering.

THE CHAIRMAN: Would these special rates apply to the industry all over Canada or in a particular region?

MR. MacPHERSON: All over Canada.

THE CHAIRMAN: So that it is an industry we are studying, it is not a geographical disadvantage in this case?

MR. O'DONNELL: They apply everywhere.

MR. MacPHERSON: They apply all over Canada, but then in the application of it we have to consider the geographical situation as well, and that is the purpose of the evidence of the witness. The rates apply all over Canada.

THE CHAIRMAN: Not only that, but Mr. Connell talks about the industry having been built up on a certain basis, which almost, he would say, has become a vested right in the industry. You destroy that basis, you remove it, and the industry is liable to fall to the ground. He is talking there for the whole industry in Canada, is he not?

MR. COVERT: Q. You are not urging a special rate in the Province of Saskatchewan?

A. No.

THE CHAIRMAN: Then, from that point of view, it seems to me this case is a bit different from the other cases we have been hearing heretofore.

MR. COVERT: That is right.

THE CHAIRMAN: Nothing peculiar to the West?

MR. COVERT: No.

CROSS-EXAMINED BY MR. FRAWLEY

Q. Mr. Connell, you say on page 6 of the brief that these rates have been in effect for over a quarter of a century; can you tell us just when the so-called special rate went into effect?

A. I couldn't give you the date, but I believe it is almost thirty years.

Q. Thirty years?

A. Yes.

Q. So the situation is, looking at Appendix B, you take an exact rate, you have three in line; one is called at the old rate, the next is at the present rate, and then the proposed change?

A. Yes.

Q. Does "at the old rate" mean the rate before the 8th of April, 1948?

A. Yes.

Q. And that is the rate which was in force for about thirty years?

A. Yes.

Q. Now, take the rate from Edmonton to Saskatoon, which was 16 cents a pound prior to the 8th of April, 1948; is that right?

A. Yes, that is correct.

Q. Does that mean that thirty years ago there was a rate greater than 16 cents a pound?

A. I could not say that. I base this on just immediately preceding the change.

Q. Yes, but what I am trying to get at is, at one stage this was reduced from a normal rate to the so-called special rate.

A. Yes.

Q. Do you know the degree of step-down that there was?

A. Yes; it is based on 50 per cent of the regular first class rate.

Q. Then the situation is that, taking this same rate of Edmonton to Saskatoon, it is reasonably correct to say that the rate was 50 per cent greater than 16 cents about thirty years ago, when they made the change?

A. I would judge that.

Q. Now, you know that under the present Railway Act the railways take the position that they are free to cancel out any rates which are below the normal rate, subject of course to later action by the Board to suspend the new tariff; you are aware of that?

A. That is my understanding, yes.

Q. As I understand, what you say is that as this rate has been in for thirty years it has lost its character of a special or depressed rate, and is actually the normal rate in your industry?

A. No, I wouldn't say that. When you ship an animal you must produce the pedigree, you must produce the certificate,and the agent must see that pedigree, and he knows you are shipping on this special rate.

Q. Yes, I know, but I thought the point you were making was that as you have had this for thirty years it is now a part of the basic freight rate structure; wasn't that the point you were making?

A. Well, we had it so long, we just accept it that it would not change.

Q. That is true. Then is it not fair to put it to you that you now regard it as the normal rate in your industry, and it has lost its character of a special rate or depressed rate which the railway says it is?

MR. O'DONNELL: He said "no" to that already.

MR. FRAWLEY: Now, if you don't mind ---

MR. O'DONNELL: The questions are very, very leading, my lord.

MR. FRAWLEY: This is not a criminal trial.

MR. O'DONNELL: Yes, but when you get an answer you don't like, and then you come back at it again, you being in the same interest ---

THE CHAIRMAN: The witness has shown that this rate applies to a certain class of animal; would you call that a commodity rate?

MR. O'DONNELL: My lord, all I call it is a concession that was made back a number of years ago, when the situation of the farmer was somewhat different from what it is today,and throughout the years, as Mr. Connell has said, to realize that it was a special rate, he had to produce the animal's pedigree and documents to entitle him to that.

THE CHAIRMAN: Yes, but once you get the article identified, then this rate applies to it. I just want to know, would you call that a commodity rate?

MR. O'DONNELL: I think it is a special commodity rate.

THE CHAIRMAN: So there it is; it is a commodity rate.

MR. FRAWLEY: Perhaps we could find out what it was before it was reduced by 50 per cent.

Q. Was it not at that time a special commodity rate?

A. I have no knowledge of that.

THE CHAIRMAN: The point is, you were saying how the railways may act in respect of certain rates. Now Mr. O'Donnell tells me that this can be called a commodity rate.

MR. FRAWLEY: Yes.

THE CHAIRMAN: Now, what liberty have the railways

in respect of commodity rates to increase them?

MR. FRAWLEY: My lord, I will answer that, and I am in the presence of experts, so they can correct me if necessary. I understand that, whether it is called a competitive rate or called a special commodity rate, so long as it is below the normal standard maximum rates which are approved by the Board in the first instance, then they are at liberty to change it, to go back to the normal rate, by filing appropriate tariffs, giving thirty days' notice, and so on; but they are free, without any prior or prerequisite approval by the Board to go back to the normal rate.

THE CHAIRMAN: Not above the normal rate.

MR. FRAWLEY: No, not above the normal rate. I think it is fair to say that is precisely what they are doing here. They have said this is a special commodity rate, it was a special concession given in those days, and they are now free under the existing Railway Act to go higher. I am endeavouring to make the point with the witness that it has been in force for thirty years and it can be called now a normal rate -- not normal in the sense that the Railway Act uses the word normal", I agree to that, but it has become so thoroughly imbedded in his industry that now my position is -- and I will so argue at an appropriate time -- that the Board would have power to deal particularly with rates of that kind, and they should have a prerequisite power, a power before the event rather than after, to prevent the railway companies from putting those rates back in.

Q. Now, Mr. Connell, I would like to know just one

thing more. Did your Association make an application to the Board of Transport Commissioners to suspend the proposed new tariffs of the railways?

A. Yes; that is, we sent a telegram.

THE CHAIRMAN: Q. To whom? I mean, to the railways or to the Transport Board?

A. To the Transport Board.

MR. FRAWLEY: Q. And did you get any action from the Transport Board?

A. We received a reply that they were dealing with it.

Q. Well, to be fair to the Board there is nothing -- you are not hurt yet?

A. Not very badly, except that I understand -- I don't know that that is actually ---

Q. Oh, yes, one of them; there are two -- I am sorry -- there are two rates involved and one was to be effective, the new rate was to be effective, May 31, 1949; so far as you know, that is effective

A. I think so.

THE CHAIRMAN: The other one does not come into effect until the end of December.

MR. FRAWLEY: That is right, sir.

Q. But to the extent anyway of the rate on pedigreed livestock, your appeal to the Board was not successful and those rates were not suspended?

A. I have had no word at all.

Q. Thank you.

MR. SHEPARD: I just have one or two questions, Mr. Chairman.

CROSS-EXAMINED BY MR. SHEPARD

. Mr. Connell, I gather from the results listed at the bottom of page 5 of your brief, the results of proposed changes -- you list five items there -- that your feeling is that, because the special rate has been in effect over a long time, your industry is dependent on it or has developed partly because of it, and now is it correct to say or fair to say that you feel by this large proposed increase the railways may be tending to price themselves out of this market?

A. I think it will work that way.

Q. You think it will work that way. And the result in the long run will be a shrinkage in the size of your industry, which will result in a corresponding shrinkage in railway revenue which they now get from your industry?

A. That is the way I feel, yes.

CROSS-EXAMINED BY MR. EVANS

Q. Just to clear up my thinking, Mr. Connell, there are two branches of your complaint; one has to do with pedigreed livestock and the other with exhibition stock?

A. Yes.

Q. Now, with regard to the pedigreed livestock, does that move pretty largely within the west?

A. Oh, yes, there is a lot of shipping.

Q. Is there much east-west shipping of pedigreed livestock as such other than for exhibition purposes?

A. Oh, well, that is not as large as within the province, but there is always some going back and forth.

Q. But the particular movement of this pedigreed

stock for the purposes of your developing a good livestock industry in the province is within the province and within the West?

A. Yes, within the prairies, I guess, yes.

Q. Now, with regard to exhibition stock, that goes all over the West as well as into Eastern Canada for exhibition?

A. Yes, and down into the States.

Q. If you can, will you clear up for me the difficulty about that; as I understand -- and you will correct me if I am wrong -- the present rates involve the full scale for the movement from the point of origin to the first exhibition?

A. That is correct.

Q. And then from the first exhibition to the second and third and succeeding exhibitions the rate is a half of the normal rate?

A. Yes.

Q. And then when you have had your last exhibition and you are bringing your exhibition stock home it moves free?

A. Yes, that is correct.

(Page 972 follows)

Q And the complaint involved in the proposed change as regards exhibition stock is that,instead of having the half rate between exhibitions and the free return movement, you are going to have to pay the full rate for the entire trip?

A That is correct.

THE CHAIRMAN: Including return?

MR. EVANS: Including return.

Q Now, on page 3 that is an l.c.l. movement which you figure on there, is it not?

A Yes.

Q And that also applies to the movement of the 160 bulls?

A Yes.

Q Now, then, why did you pick on example 2, the movement of 160 bulls, all less than carload movements?

A That is the actual figure that the Cattle Breeders Association paid to the railroads following the 1948 bull sale at Regina.

Q A farmer comes along and buys one bull?

A That is largely what happens.

Q Does he not pool his bull with his neighbour's bull and bring them out in a carload movement?

A The Association looks after that. We offer to ship all bulls at a flat rate of $10. Some cost more and some less, and we reserve the right to use a carload, or whatever number is going in one direction.

Q Since you have had some experience in that regard perhaps you can help me to this extent. Would you say that the average movement of these purebred bulls is one

or two or three to a car? Have you any information on that?

A I don't know that I get your question.

Q When a farmer pays $10 to your Association and you arrange the movement of these bulls from the bull sale do you find as a rule you only get one or two bulls to a car, or how many bulls do you usually get?

A No, we sometimes hold them back and we feed them here for several days.

Q You do get some carload movements, then?

A I would not say we ever get a full car, five or six, sometimes eight or nine.

THE CHAIRMAN: Q. How many make a full car?

A On purebred stock we regard about twelve full grown animals as making a carload.

MR. EVANS: Q. What is a good purebred bull worth on the average? I do not want the best or the worst. Give me a rough idea.

A That is pretty hard to answer, but I could give you the top price and the averages for the 1948 bull sale at Regina.

Q That would be very helpful.

A I would like to point out that the Regina bull sale has now reached a very high standard. We have been using a system of culling for a good many years, and we do not allow any animal that cannot pass certain standards of perfection to go through the sale ring. They are culled and taken out. With that in mind there were 141 Herefords sold at the 1948 Regina bull sale at an average of $318,40.

Mr. Connell, cont'd.

Q What would they weigh?

A Oh, 1,400 -no,it would be less than that for the juniors, 1,200 to 1,400.

Q How would that compare with an ordinary bull sold for slaughter?

A Well, yesterday morning I went to Burns & Company here just to get that information, and their price yesterday was 21½ to 22 cents for top steers. That would be 1,050 pounds. That would bring $231 for a top steer.

Q These bulls are a little heavier? The purebreds would be a little heavier than normal?

A Some of them would, yes. You see there are several classes. There are some just over a year old and then on up to two and two and a half.

Q Speaking generally would you say that the purebred stock you use for breeding purposes is of higher value or equal value or what in relation to ordinary livestock for slaughter for meat?

A We feel that they are a much higher value because it costs much more to take care of them and purchase them in the first place, and if you are going to make the thing go you have got to look after them.

Q Quite. Would you say that purebred livestock for breeding purposes has gone up in value since 1945?

A Oh, yes, a little, not a great deal. They do not fluctuate like commercial cattle.

Q At one time they were very much higher than commercial cattle and then they have come closer together?

A Closer together now.

Q But they have increased in price?

A Some, not as much as the commercial.

MR. EVANS: Thank you.

COMMISSIONER ANGUS: Q. I gather you would not have very much objection to the same increase applying to everybody else, that is to say, the 21 per cent applying to your industry, too? In that sense you say you are ready to accept the increases that other people accept?

A Yes, we accepted it. We did not like it but we accepted it.

Q Your case is really an exception which is made, and in the public interest should be continued in the future as in the past?

A That is what we would like.

Q Could we add to that even if it meant that the general rate of increase had to be something more than 21 per cent? I know in your estimate it would be very little more, but there are very many public interest cases. You would think it sounder to have an increase of 22 per cent or 23 per cent rather than disturb these special concessions that have gone on for a long time, and on the strength of which industries have been built up?

A Yes, that would be a lot sounder as applied to the business.

RE-EXAMINATION by MR. MacPHERSON

Q There is one question my friend, Mr. Evans, asked you about the price of bulls now. You said that purebred bulls had not fluctuated in price from 1945 as much as commercial cattle. Has that been general over the years? Has there been a fluctuation in price?

A No, purebreds are much more steady always. Of course, in the drought days Saskatchewan caught it hardest. Our cattle went down a lot, but if they were shipped out they did a little better in price.

Q And have you sold purebred bulls yourself in the years before the war?

A Yes.

Q And was the price a price such as is being realized today at the sales?

A No - well, that varies. At times what we call a good animal will vary in price from another one. One without experience would not see any difference. For instance, at the 1948 bull sale the top Hereford went for $1,625, and the average is $318. There are some of them that have got to go down to get that average.

MR. MacPHERSON: I think that is all.

COMMISSIONER INNIS: Q. From what you say in paragraph 5 on page 6, and from other comments which you have made, are we to infer that you feel that the railroads have changed in their general point of view, on one hand favouring low cost for this type of commodity - the same is true of seeds - and on the other hand concerned with revenue earnings and finance?

A Well, I would feel that the policy must have changed.

MR. MacPHERSON: That is all.

MR. COVERT: The next submission, Mr. Chairman, is that of the Saskatchewan Honey Producers Co-Operative Marketing Association.

ROY M. PUGH, Called

EXAMINED BY MR. MacPHERSON:

Q Your name is Roy M. Pugh?

A Yes.

Q And you are the Manager of the Saskatchewan Honey Producers Co-operative Marketing Association Limited?

A That is correct.

Q And I think it is correct that your headquarters at the moment are at Tisdale?

A That is right.

Q Which is in the northern part of the province, You have been interested in the production of honey in Saskatchewan for how many years?

A Since 1927.

Q And during that period you have been officially with the government of the province for a considerable time?

A That is right.

Q And at the present time you are acting as manager of the Saskatchewan Honey Producers Co-Operative Marketing Association Limited in the province?

A Yes.

Q Now, you have a brief to present. Will you proceed, please, Mr. Pugh?

A Mr. Chairman and gentlemen: the Saskatchewan Honey Producers Co-Operative Association is an organization of some 800 beekeepers, 862 to be exact. Its members produce a little more than one-quarter of Saskatchewan's honey.

Honey Production in Saskatchewan

Bees have a twofold value. First, as honey and wax producers and second, as pollinators.

(A) In 1947, 6,232,000 pounds of honey were produced in Saskatchewan valued at $1,558,000. In 1948, the production was 6,492,000 pounds valued at $1,201,020.

(B) The value of bees as pollinators is generally considered to exceed their value as honey producers. An abundance of bees is necessary to ensure a full set of seed on clovers, rape and alfalfa, and of course in other provinces on fruit trees and all types of fruit crops. The role of bees in pollinating is likely to become even more important in the future as legume growing becomes more common and as the wild bee population is further depleted by land clearing operations.

Q Just one minute, Mr. Pugh. You refer to a full set of seed on clovers, rape and alfalfa. In the area where you are now located at Tisdale, is that an area, a part of the province where there is a particular development in clover seed, rape and alfalfa?

A Yes, the Tisdale-Melfort area is a large producer of clover, Tisdale particularly of rape and alfalfa, and from there north through Nipawin to White Fox.

Q That is an industry that is growing and developing?

A It is growing in its own right because of the seed production, and it is likely to become more important in the future because, as other speakers have pointed out, the trend is to encourage the growing of legumes to improve the soil and stop the soil drifting which we saw

up there yesterday, and the whole effort of the Department of Agriculture now is to promote that type of crop.

Q All right, go on, Mr. Pugh.

A. Geographic Position a Handicap.

The geographic position of this province constitutes a serious handicap to Saskatchewan beekeepers as they are further both from the sources of their requirements and from all the major honey markets, and have a higher average freight on their requirements and the honey which they market, than the beekeepers in any other honey producing province.

Saskatchewan beekeepers purchase their requirements from the following points:

Beekeeping Equipment and Supplies from Quebec, Ontario, Winnipeg and Vancouver. Average freight cost is over 10 per cent of the value of the goods.

Honey Cans from Montreal, Toronto or Hamilton, Ontario, Average freight cost is over one-third cent per pound capacity of container.

Package Bees - that is an express charge - from such distant points as California, Alabama and Mississippi. Average express cost is over 20 per cent of the cost of the bees.

The main markets for Saskatchewan honey are the various Saskatchewan centres, Montreal, Toronto and Vancouver. The average freight cost to these markets is shown in the chart following:

Tisdale to Saskatoon	$.42 per cwt.
Tisdale to Regina	$.57 per cwt.
Tisdale to Vancouver	$1.82 per cwt.

Tisdale to Toronto or Montreal $1.98 per cwt. That is in carlots.

Freight Cost High

Freight constitutes an extremely high charge against every pound of honey which our Co-operative handles as is illustrated in the following chart which shows the freight per pound of honey.

Freight on bulk honey shipped from our producers to the Co-operative plant in Tisdale averaged .41¢ per pound in 1947, the last complete year for which we have figures.

Freight on empty retail containers is figured on carlots from Toronto or Montreal to Tisdale at $1.98 per cwt.

	Freight on bulk Honey to Tisdale	Freight on Empty Retail Containers to Tisdale	Freight on Honey to Selling Point	Total Freight per lb. Honey
Saskatoon	(.24) .41¢	(.29) .36¢	(.41) .49¢	(.94)1.26¢
Regina	(.24) .41¢	(.29) .36¢	(.55) .67¢	(1.08)1.44¢
Vancouver	(.24) .41¢	(.29) .36¢	(1.59) .1.91¢	(2.12)2.68¢
Toronto) Montreal)	(.24) .41¢	(.29) .36¢	(1.93)2.32¢	(2.46)3.09¢

-: 1947 in brackets :-

We ship empty bulk containers to the producers which hold five gallons of honey. They fill those and return them to the plant, and on the return trip the average freight cost from our producers scattered over the province is .41¢ a pound. That is what we paid last year.

Q The table at the bottom gives the freight on bulk honey from Tisdale to Saskatoon, Regina, Vancouver, and Toronto or Montreal?

A That is processed honey, and that includes the cost of shipping the honey from the producer to the plant, the freight on the empty containers from the manufacturer to the plant, the freight on the honey in the containers out to the wholesale point.

Q And then there is the total freight in the last column?

A There is one correction I should like to make in that chart. In the third column, the freight on honey to the selling point, the figure of 1.91 was figured at a rate of 1.63. It should be 2.12.

Q It should be 2.12?

A Instead of 1.91, it should be figured at a rate of 1.82, and the total would be 2.89.

MR. O'DONNELL: Where is that?

MR. MacPHERSON: That is in the last column.

MR. FRAWLEY: The 1.59 should be corrected also?

THE CHAIRMAN: Q. The 1.59 should be changed also?

A No, that is 1947; that is correct. There are just the two changes. The 1.91 is changed to 2.12.

Q Just a minute. Where is that?

A That is under freight on honey to selling point, Vancouver, and then the total figure should be changed from 2.68 to 2.89. If members receive 11¢ net for their 1948 honey, the above freight costs would constitute 11.4 per cent of their receipts if sold to Saskatoon or 28 per cent of their net receipts if sold in Montreal or Toronto. Probably the average figure for freight would be very close to 20 per cent of their net receipts.

If honey prices drop further, the percentage of freight costs in relation to the receipts would increase very sharply.

Rate Discrimination Against Saskatchewan Beekeepers

A number of freight rate discriminations against Saskatchewan beekeepers were pointed out to the Board of Transport Commissioners here two years ago. At that time it was shown that Ontario or Manitoba beekeepers could compete with Saskatchewan beekeepers on the Vancouver market since they enjoyed the same freight rate to Vancouver as we did, namely, $1.35 per cwt.

Q That is, they can ship from either Ontario or Manitoba to Vancouver at exactly the same rate that you can ship from Tisdale?

A That is right.

In the intervening two years, most of these discriminatory tariffs have been adjusted, not by lowering the rates charged Saskatchewan beekeepers but by raising the rates of our competitors.

There are, however, some rates which still discriminate against beekeepers in Saskatchewan. For instance, if we wish to sell our honey on the Vancouver market, we ship there at a carlot rate of $1.82 per cwt. On this market we compete with Manitoba honey coming from Winnipeg which pays a freight rate of $2.07 per cwt. This gives us a freight advantage over Manitoba honey on the Vancouver market of 25¢ per cwt. We also ship honey to Toronto and Montreal and there we again compete with Manitoba honey coming from Winnipeg. Shipping from Tisdale to Montreal we pay a rate of $1.98 per cwt. while

the rate from Winnipeg to Toronto or Montreal is $1.38 per cwt. Thus Manitoba honey coming from Winnipeg has a freight advantage over us of 60¢ per cwt. on the Toronto or Montreal markets.

This rate going east is more important to us than is the Vancouver rate because we sell more honey in the east and because we secure most of our supplies from that source and we cannot understand why honey moving west to Vancouver is only charged an additional 25¢ per cwt. for the distance between Tisdale and Winnipeg while honey moving east is charged 60¢ per cwt. for the same distance. If it is possible to move it west for 25¢ per cwt. why cannot it be moved east for 25¢ per cwt? If it were we would then be in a much better competitive position on eastern markets than we are now because we would save 35¢ a cwt. on our honey moving east and because we would also save a similar amount on all our containers and supplies coming west so that our total saving would probably be almost half a cent a pound - a very important consideration at today's honey prices.

Summary of Submission

(1) The geographic position of Saskatchewan both in relation to markets and sources of supply, constitutes a serious handicap to Saskatchewan beekeepers and makes freight rates of vital concern to them.

(2) Freight costs on beekeepers' requirements and on honey moving to market constitute the major single item of expense and costs them a very high proportion of their total receipts.

(3) Freight rates to some important markets still

discriminate against Saskatchewan beekeepers.

(4) Any general, uniform freight rate increase affects Saskatchewan beekeepers more seriously than their competitors since freight constitutes a much larger proportion of their costs.

CROSS-EXAMINATION by MR. COVERT

Q Mr. Pugh, when did the beekeeping industry start in Saskatchewan? Has it been an important industry for some long period of time?

A It was started about 1923, and by 1927 they were producing about 50,000 pounds of honey, and it developed from there. The major development took place in the thirties.

Q And what is the comparative honey production in Saskatchewan as compared with the adjacent provinces?

A Well, we are either the second or third producing province in Canada as a rule. We produced a little over 6,000,000 pounds in the last two years compared with a range from 12,000,000 to 19,000,000 in Ontario. In Manitoba I believe they were around 4,000,000. Alberta shot up very quickly last year from about 5,000,000 to 10,000,000. I think that figure is a little incorrect, but that is the official figure for their production last year.

MR. O'DONNELL: Q. Five million to ten million?

A Ten million.

MR. COVERT: Do you know the total production in Canada roughly?

A It was 44,000,000 last year.

Q You produced approximately one-seventh of the total production?

A Yes.

Q On page 3 of your brief in paragraph 3 you say that most of these discriminatory rates have been adjusted, and in the paragraph immediately following you say that there are nevertheless some discriminatory rates still in effect. You refer to the difference between the rate to the west and the rate to the east. Are there any more discriminatory rates which affect you other than the ones that you have mentioned in that paragraph?

A That is the only one that I have actual figures on at the present time.

Q That is one that you feel discriminates against the industry here?

A Yes, that would be the main rate.

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COMMISSIONER INNIS: Q. May I interject to ask the extent to which the rates have been raised, which you refer to in that paragraph?

A. Yes; you mean, dealing with Vancouver to Winnipeg and Toronto?

A. Yes.

A. It was raised to $1.35.

MR. COVERT: $1.87.

THE WITNESS: Toronto to Vancouver was raised from $1.35 to $2.93.

THE CHAIRMAN: Q. Fromwhat point?

A. Toronto to Vancouver.

MR. FRAWLEY: Have you got the date of that?

A. I do not know when the last raise was.

MR. SINCLAIR: That was the 21 per cent increase, and I understand that since that time certain transcontinental rates have been reviewed and taken out of the tariff, and they have been brought back to the regular rate. It became effective on the 1st of June, and the transcontinental rates went out on the 31st of May. The $1.87 expired on May 31, and the rate now is the regular class rate.

THE CHAIRMAN: How much would that be?

THE WITNESS: $2.93.

THE CHAIRMAN: Is that the rate, $2.93?

MR. SINCLAIR: From Toronto; I shall have to verify the figures; I would expect that it is likely the rate, but if there is any change we will tell Mr. MacPherson.

MR. MacPHERSON: Q. The information you have

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there you got from the railways.

A. That is right. The rate from Winnipeg was increased from $1.35 to $2.07, to Vancouver.

THE CHAIRMAN: And that again means the new rate since the 1st of June.

THE WITNESS: These are dated May 16th; this is the quotation.

MR. COVERT: Q. And that change in the rate to Vancouver is the one you refer to in paragraph 3 as having been removed?

A. Yes.

Q. You seem to indicate that there may be some objection not by lowering the rates in Saskatchewan, but by raising the rates of competitors. That is in your second paragraph.

A. I just refer to the fact that our rates were not corrected downward, but the others were corrected upward. In other words, we enjoyed a disadvantage for a period of 20 years or so, and now we are just getting up to a reasonable parity with most of the rates. But there are still some of them we are not.

Q. Do you quarrel with the principle, perhaps, of equalization?

A. No, sir.

Q. I mention that matter of competition.

A. I think it would be a fair position to do it the other way under the circumstances.

MR. EVANS: Even though we may need the money!

MR. COVERT: Q. Do you know whether or not the difference in the 60 per cent, the 25 cent differential

which you refer to in your brief, is that due to the 130 fictitious mileage from Port Arthur to Winnipeg and from Winnipeg to Port Arthur.

A. I do not know the reason for it.

MR. COVERT: That is all.

CROSS EXAMINATION BY MR. FRAWLEY

MR. FRAWLEY: Q. There is a surplus production of honey at the moment?

A. Yes.

Q. And the Federal Prices Support Board has had to take the surplus honey off the hands of the producers.

A. They have offered to buy 5,000,000 pounds of bulk honey.

Q. I notice there is an advertising program in force to induce the consumer to buy more honey.

A. That is correct.

Q. Who has promoted that advertising campaign?

A. It is a co-operative effort in which the Program and Marketing Service of the Dominion Department of Agriculture contributes half the cost, while the Canadian Bee Keepers Council contributes half the cost.

Q. And what has brought about that surplus of honey?

A. I would not say it is a su rplus. It is a pile-up at the present time due to the fact that we had such a sudden switch from rationing and the shortage of sugar and jam to a free supply . In our own association, our hands were tied all during the war, and we could not build up a retail market. We had to sell to the armed services. We had to sell where the government told us to sell; and our

Mr. Mrg. cr. xx.

[illegible] our order, is that due to the

[illegible] from Port Arthur to Winnipeg and

[illegible] ribur.

[illegible] the reason for it.

[illegible] That is all.

[illegible] ON BY MR. SCAWLEY

[illegible] SCAWLEY: [illegible] is a supreme [illegible]

[illegible] the moment.

[illegible]

[illegible] the Fed-ral Dis-ict Supports Co-[illegible]

[illegible] [illegible] [illegible] [

production increased, and we have, now that the war is over, todevelop sales outlets which we didn't have the opportunity to do before.

THE CHAIRMAN: Q. Now that the war is over, what is your position?

A. We are not regulated as to where we sell our honey. In the last two years, for the first time in six years, instead of selling it in wholesale lots, a large proportion in wholesale lots to the armed services, and other places like that, we have to go and get our own markets, which we didn't have the opportunity todevelop before, because we were told where we must sell it by the Wartime Prices and Trade Board.

Q. Are you looking for markets?

A. We certainly are.

Q. All in Canada?

A. All in Canada.

MR. FRAWLEY: Q. Are you limited to Canada?

A. No; and before the war, we had an export market too, but with a 44,000,000 pound production in Canada we think we can sell it in Canada, and having a more permanent outlet over the years, than by relying solely or heavily on an export market in the future.

Q. Are you interested in getting into the United States market?

A. Yes, but there is a 2 cent tariff; a 2 cent excise tax.

THE CHAIRMAN: Q. Two cents per pound?

A. Two cents per pound. It follows our own very closely;

and you would have the same competition over there; they have a surplus.

Q. The United States market is not particularly attractive to you?

A. No, it is not.

Q. That seems to be a remarkable increase in Alberta, 100 per cent, what was the cause of it?

MR. O'DONNELL: That was the oil.

THE WITNESS: Well, unlimited demands and reasonable prices encouraged that production; the production of clover and seed crops was encouraged for the same reason, giving you the pasturage and the means of increase.

MR. FRAWLEY: Q. Have you wondered why there was such a large increase in Alberta than in Saskatchewan.

A. This is the last area where development can take place. We perhaps may increase to eight million or nine million pounds but that would probably be our limit.

Q. The limit in Alberta is as high?

A. It is still about ten millionor twelve million pounds.

MR. FRAWLEY: Thank you.

CROSS EXAMINATION BY MR. O'DONNELL

Q. The rates you refer to on page 3 were the old transcontinental rates which were cancelled recently.

MR. MacPHERSON: I think that is right. He would not know the name, probably.

MR. O'DONNELL: Q. Those are the rates which were given following complaints by certain provinces as

being too low; and the railways cancelled those transcontinental rates because they needed the money and had to find fresh revenue. The rates you mention in the next paragraph are all fifth class rates?

A. Yes.

Q. All honey moves on fifth class rates throughout Canada; and you point out at the top of page 4 that you cannot understand why honey, moving west of Vancouver, is only charged an additional 25 cents per hundredweight for the distance between Tisdale and Winnipeg, while honey moving east is charged 60 cents per hundredweight for the same distance. Are you quite certain that the distance is the same?

A. It is not quite the same, it is a little less, but not enough to make it more than a very few cents.

Q. I think these maps - if the Board would like one - it could see exactly what the distances are on the map, and where, for instance, Tisdale, is situated.

A. If my memory serves me right, there is a difference of about 30 to 35 miles.

Q. My information is that the fifth class rate from Winnipeg going east is $1.38; and from Winnipeg going to the west, it is $2.03. From Tisdale going east it is $1.98; and going west, it is $1.82. In other words, going west to Vancouver, Tisdale is 237½ miles nearer than is Winnipeg; there is that spread of 25 cents in that instance; whereas going east, Winnipeg is 421 miles nearer Fort William than is Tisdale; and there is a spread of 60 cents. So that those distances - Tisdale is not exactly midway east and west from Vancouver. Tisdale is in

block 14 on that map, up in the northern part of Saskatchewan while Winnipeg is away over here.

THE CHAIRMAN: West of the centre.

MR. O'DONNELL: Yes, Mr. Chairman; Tisdale is nearer Vancouver than is Winnipeg, and gets a better rate to Vancouver, the spread being 25 cents. On the other hand, Winnipeg is nearer Fort William than is Tisdale, and it gets nearer by 421 miles, and it has a spread of 60 cents.

THE WITNESS: If you take the distance, the total distance from Tisdale to Montreal, as compared with Winnipeg to Montreal -

MR. O'DONNELL: Q. We get into that assumed mileage of 130 miles.

MR. MacPHERSON: Please let the witness complete his answer.

MR.O'DONNELL: Very well, go ahead.

A. The total distance from Tisdale to Montreal,and Winnipeg, let us say, Winnipeg to Montreal, the difference compares very closely, with the difference between Winnipeg to Vancouver and Tisdale to Vancouver.

Q. You know the rates going east are based on the arbitrary over Fort William?

A. I do not know. I am only concerned with what we have to pay.

Q. Going west, the rates are based on the Pacific terminal scale, which has an allowance in it for that 130 assumed mileage, just as have the rates east.

THECHAIRMAN: From what point, beginning where? Beginning at Tisdale, for instance?

MR. O'DONNELL: Oh no, all the way, Mr. Chairman. All the rates westward are based on the Pacific terminal scale which allows for that 130 miles, in the same way as Winnipeg and Fort William get it.

THE CHAIRMAN: But only for traffic originating east of Winnipeg; is that right?

MR. O'dONNELL: That is when it is coming over Fort Willima; but when it is coming out of Vancouver, that 130 miles is still in the rate. In this particular case the same allowance is there.

THE CHAIRMAN: Coming back, how far?

MR. O'DONNELL: Right back as far as Mr. Pugh ships.

THE CHAIRMAN: There is a deductionof 130 miles in the distance from Vancouver to Tisdale.

MR. O'DONNELL: That is right.

THE CHAIRMAN: But not from Tisdale to Vancouver?

MR. O'DONNELL: Yes, both ways. The assumed mileage from Fort William to Winnipeg was carried on; and at the complaint of the Vancouver people, they were given a similar advantage out of Vancouver, so they could get eastward 130 miles free.

THE CHAIRMAN: I understand that, but Ididn't know whether it applied to the traffic originating west of Winnipeg and going to Vancouver.

MR. O'DONNELL: That is my understanding.

THE CHAIRMAN: It acts both ways.

MR. O'DONNELL: Yes. And Winnipeg to Vancouver is on the short line, the Canadian Pacific mileage is taken, 1464 miles from Vancouver to Winnipeg; while

Tisdale to Vancouver is 1226.9 miles, the difference being 237.5.

THE CHAIRMAN: In each case you take 130 miles.

MR. O'DONNELL: The scale is worked out so that 130 miles is credited. It is in the scale. I have not the Tisdale On the other hand, Tisdale to Fort William is 840.1 miles; and Winnipeg to Fort William is 419.1 miles, the difference being 421 miles; and those figures are mileages. The mileage from Tisdale and Winnipeg to Fort William are Canadian Pacific miles, and from Tisdale to Vancouver the mileage is the Canadian National miles, which is the shorter of the two; but the differences in the spread, in my submission, will be found to be accounted for by the differences in the mileage.

THE WITNESS: If you take the Canadian National mileage straight through to Toronto.

MR. O'DONNELL: Once you get to Fort William, you know, the basic arbitrary comes into play, Fort William to Toronto, and Toronto to Montreal, and Montreal down the line to some point in Quebec and east.

MR. FRAWLEY: That is one of the anomalies in the freight rates.

MR. MacPherson: Yes, that is one of the anomalies, one of the things we complain about.

MR. EVANS: Surely Mr. MacPherson does not complain about the basic arbitrary on Fort William, because they only benefit the west; they have no other effect.

MR. O'DONNELL: It gives a much cheaper rate than if you applied the straight mileage.

THE CHAIRMAN: The rate to Vancouver which has been

[illegible] to Vancou[illegible] the difference being

[illegible]5

MR. [illegible]: Mr. Pugh, are you take[illegible]ng this?

MR. [illegible]: [illegible] worked out to that

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THE WIT[illegible] [illegible] the Oregon Railway

[illegible] bright [illegible] Terms.

MR. [illegible]: [illegible] you are to Port William, your

[illegible] the base [illegible] public [illegible] and clay, Port Willi-

[illegible]. and "Portr[illegible]: Montreal, and [illegible] on the

[illegible] [illegible] been old [illegible].

MR. PUGH[illegible]: What is the [illegible] of the smoothness in the

[illegible]. Yes.

MR. Macpherson: Yes. What is the [illegible] of the smoothness

[illegible] things we complain about.

MR. EVANS: Surely Mr. Macpherson does not [illegible]

[illegible] basis arbitrary on Port William, because that

[illegible] suit the west; they have no other [illegible].

MR. O'DONNELL: It gives a much [illegible] Port

[illegible] applied the other [illegible] miles.

THE CHAIRMAN: The rate to Vancouver [illegible] is known

increased lately from eastern Canada was that original low rate one of these competitives rates?

MR. O'DONNELL: Yes. It was a transcontinental rate based on Panama Canal competition.

THE CHAIRMAN: And there is no longer any competitive rate?

MR. O'DONNELL: When we were before the Board of Transport Commissioners, there was an appeal made by some of the provinces that these rates be cancelled and that the rate should be put back to the ceiling, whereby we would get the additional revenue we needed by so doing; and those rates were cancelled and they will remain cancelled.

THE CHAIRMAN: Was that done by action by the Board.

MR. O'DONNELL: No, through the railway voluntarily, as they are entitled to do because they are competitive rates.

THE CHAIRMAN: Does that indicate a general policy of the railways?

MR. O'DONNELL: I would not say it is a general policy, but I would say that the railways were invited many times during those hearings to get all the revenues they could by putting their rates up to the full ceiling. These were some of those rates, and they were, at the first opportunity, cancelled. But, as water competition develops again, if it does, then the railways can again determine whether they want to meet that competiton or forego the revenue.

THE CHAIRMAN: This cancellation with respect to honey was only one of a number?

MR. O'DONNELL: No, there was no discrimination against the honey people. It was only on a basis that transcontinental rates being no longer justified through competition lagging, should be removed and the railways should go back to the "just and reasonable rates", fixed by the Board.

THE CHAIRMAN: And you are back there now?

MR. O'DONNELL: Yes. These things move from time to time; and we mentioned in Winnipeg the transontinental rates and the tariffs that were in the process of completion My understanding is that while they were preparing the tariffs, a shipping line decided it could ship out of Montreal. I think it was the Munson Line, decided to re-establish rates from Montreal to Vancouver. The picture changes from day to day; but the railways, under the ceiling, were entitled to meet it as they might deem best.

If it were a losing proposition, and the ships were carrying for too low a figure, the railways would haveto decide what they should do.

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MR. MacPHERSON: I think the full story is, Mr. O'Donnell, that, while there was the threat of that ship leaving, the ship never left.

MR. O'DONNELL: Q. Well, I have it on the information of a man who is in pretty close contact with these things, Mr. L. J. Knowles, that the full story is that the ship did leave, and a further ship did leave. That is the source of my information, and, even while these tariffs which are still in the hands of the Canadian Manufacturers Association and others for consideration by them and examination, even while thosetariffs were being reviewed and looked at by the business people themselves, a ship did go out of Montreal, and further ships were to go.

MR. FRAWLEY: I would be content to accept Mr. Knowles' statement of the fact.

MR. O'DONNELL: Well, that is where I get the information.

THE CHAIRMAN: So that you are holding yourselves free to reduce rates again.

MR. O'DONNELL: We have got to, my lord; it gets down to that.

THE CHAIRMAN: That is a fact.

MR. O'DONNELL: Yes; we are in business, and if our competition, in an endeavour to take from us the business, decide to reduce the rate, we have to decide whether or not it is good business to meet it. In some cases it is not, and we do not meet it; we decide our rates. But in this particular instance, as to these rates Mr. Pugh speaks of, that was what happened. Those transcontinental rates were removed, because there was no

longer competition, and in the circumstances the railways, in an endeavour to get the revenues that they had to have, put the rates back at the ceiling rate or under the ceiling which the Board had previously fixed. Now, all honey moves throughout Canada at the present time on a fifth class rate, there is no discrimination, and the little differences our friend speaks of we submit are accountable for by reason of the differences in mileages that we have put on the record.

THE WITNESS: Mr. Chairman, there is only one point I can never understand; [illegible] they are all on fifth class rates, but if you are going west a distance between Winnipeg and Tisdale [illegible] it is one rate, and a distance almost similar is more than twice when you go east. They are both fifth class rate.

MR. O'DONNELL: Q. I was just going to ask one other thing, Mr. Pugh. Your honey industry here has grown, has it not, very considerably, and d lerwise as well as on the volume basis, since the Co-operative started business?

A. You do not see that growth since the freight rate increase.

Q. That is all very well; we will talk about that. The freight rate increase has changed, even as your honey prices have changed, but, on the other hand, you had the biggest year, did you not -- I will take it from the annual report of the Provincial Apiarist, on the 1st of April, 1948, which appears at page 35 of Exhibit No. 7. Reviewing the conditions,there appears the following statement:

"The 1947 honey crop was 6,232,143 pounds, 57.3 per cent. greater than the previous year.

"Most of the crop sold for much higher prices than during the previous year and was worth $1,570,500.00 to the beekeepers of the province." That is the honey, and apart from that there was the beeswax production, was there not?

A. That is right.

Q. And the beeswax production and the honey was $1,596,365.56. That is a considerable increase, is it not, over the earlier year?

A. You would have to get a series of years to get the picture, I would suggest.

Q. That is right; then at the same page from which I have just been quoting, page 35 -- and I won't take any longer time -- there is set out there the years 1943, 1944, 1945, 1946 and 1947, and it shows an increase in price per pound of honey each year; in 1943 it was 15.19 cents, and in1947 it was 25.2 cents. What is it at the present time, Mr. Pugh, even with the surplus that you speak of?

A. Retail? What price are you after?

Q. The comparable price to that which is in the statistics here; you know that.

A. That price is made up of the price that the farmer receives for his honey, whether he sells it wholesale or retail. About half of it is sold direct to consumer.

Q. What is the price now?

A. The price now I think was about 22 last year; I don't know what it is for this year; there is no price

fixed on it.

Q. And in 1943 it was only 15.19 cents. Now, after derationing of sugar there was a fluctuation in price for a while, was there not?

A. Still is, yes.

Q. And your Co-operative at its 1948 meeting held at Tisdale, which is also reported in Exhibit 7 at page 39, says, among other things, referring to that fluctuation:

"We have thus completed the cycle from the very low to the very high honey prices. What we now hope is that we can level prices out at a point attractive to the buyer while still profitable to beekeepers."

That is your hope still, is it not?

A. I think we have got them there now, attractive to the buyer.

Q. And attractive to the beekeeper as well?

A. Well, that is still to be found.

Q. Well, in any event, it is a lot more than it was three or four years ago?

A. It would be lower than three or four years ago.

THE CHAIRMAN: Q. As a matter of interest, what becomes of the beeswax in Saskatchewan?

A. The wax production so far has been re-absorbed in the industry too. The development of the industry requires wax manufactured into sheets of foundation for future combs.

Q. So it stays there?

A. It stays there, yes.

MR. MacPHERSON: Q. You told Mr. O'Donnell that the price now is ---

MR. SINCLAIR: Just a minute, if you don't mind.

CROSS-EXAMINED BY MR. SINCLAIR

Q. Mr. Pugh, on page 3 of your brief you refer to the fact that the freight rates amounted to 11.4 per cent of their receipts, and you refer to the amount as 11 cents net. Now, you do not figure the percentage on the net; you should figure it on the gross, should you not?

A. I state quite clearly what I figure it on here.

Q. But you should figure it on the gross?

A. We cannot get a gross figure.

THE CHAIRMAN: Where is that, Mr. Sinclair?

MR. SINCLAIR: At the top of page 3.

Q. The proper way to figure it would be on the gross, but you only have a net figure, so you get your percentage on the net?

A. That is right.

Q. Knowing it should be figured on the gross?

A. For your information I would say that the gross figure would be slightly less than 5 cents more than your net figure, probably.

Q. Well, Mr. Pugh, you told the Commission that the main purpose of this bees is to pollinate; now, may I assume from that that, irrespective of whether you could sell the honey or not, these bees would be absolutely essential to the production of alfalfa, rape and clover?

A. They have not got to the point yet of being absolutely essential; they are to the point where producers of seed crops want bees; they must have them to get the full return from their land. But as beekeepers we are solely interested in the honey production, and so far have

not progressed to the point where we get any revenue out of their pollinating activities.

Q. But the beekeeper quite often is a farmer too, is he not?

A. Oh, yes; we have a large ---

Q. So the economics of the situation would be, the price of honey would not govern whether you kept bees or not?

MR. MacPHERSON: The witness had not finished, Mr. Sinclair.

MR. SINCLAIR: He answered the question.

THE WITNESS: Well, xx our organization is not concerned with the sideline beekeeper. Our members are largely commercial beekeepers -- not all of them, but they are largely commercial beekeepers, whose sole livelihood is from their bees.

MR. SINCLAIR: Q. But out of the proportion of the total production of honey in Saskatchewan would not the large proportion be by bees kept on farms?

A. At least two-thirds, yes.

Q. Thank you.

RE-EXAMINED BY MR. MacPHERSON

Q. How does the price compare today with two years ago?

A. It is considerably lower, I would say between 30 and 35 per cent lower.

Q. Between 30 and 35 per cent lower?

MR. O'DONNELL: Q. What is it today?

A. That is the wholesale price.

MR. MacPHERSON: Q. Mr. O'Donnell asks what it is today?

A. That is a little difficult to reply to, sir. I could give you our prices on different markets. The way it was two years ago, it was a uniform price all over. Now you have one price in Toronto, one in Montreal and a different one in Vancouver. For instance, on the Regina market right now you can buy a case of two's at $8.04 wholesale; that is our honey. It was over $12 two years ago, the Wartime Prices and Trade Board price.

Q. That is, two years ago the price was $12 as against $8?

A. On two's; you could not buy two's, because there was a little bigger profit in one's, and they were all packed in one's.

MR. O'DONNELL: Q. Just so that I will have at least one figure to tie myself to, is the price that you gave me a few minutes ago of 22 cents the comparable price to that set out on page 35 of Exhibit 7, this document I have in my hand?

MR. MacPHERSON: Let him see Exhibit 7.

MR. O'DONNELL: Q. Isn't that the figure you mentioned, 22 cents?

A. Yes, today; yes, it would be comparable to those figures.

Q. 22 cents?

A. That was last year, 1947, not 1948; there is no price on that yet.

Q. That is all right. That is fine, thank you.

MR. MacPHERSON: Thank you, Mr. Pugh.

MR. SHEPARD: Mr. Chairman, there are one or two comments I think I should make, in view of what Mr. O'Donnell was saying as to the attitude of the provinces. He has intimated, I think, to your Commission that the provinces stated that at various times in the past special rates should be raised to the highest level permissible, and I know that the position of the Manitoba Government is not quite that, and I think I should like to have it on the record. Item 8 of our Brief of Points, the opening sentence states ---

MR. O'DONNELL: That was on in Winnipeg.

MR. SHEPARD: No, this was not on in Winnipeg. I referred to another part.

THE CHAIRMAN: What are you quoting from?

MR. SHEPARD: This is the Manitoba Government Brief of Points, Mr. Chairman. The sentence reads:

> "It is our view that all rates, but in particular those which are substantially below the average level of rates for comparable commodities, should be carefully reviewed and that those which are uneconomically low should be raised before any action is taken to raise the general level of all rates."

I think that that is something different from what Mr. O'Donnell has been inferring as the attitude of the Manitoba Government. Our position has been throughout that if rates are uneconomical, or found to be so after a thorough investigation, then they should be raised, but so far as I know at no time has the Manitoba Government stated that all special rates should be raised without investigation.

THE CHAIRMAN: I suppose uneconomically low in the case of competitive rates would be lowerthan required to meet the competition; is that your idea?

MR. SHEPARD: Or lower than would be required, Mr. Chairman, to pay the cost of hauling the traffic.

THE CHAIRMAN: Either, yes.

MR. O'DONNELL: My lord, my interpretation of that was that rates which were below the just and reasonable rates as fixed by the Board of Transport Commissioners, we were invited to increase those, and particular complaint was made, in my respectful submission, that the trans-continental rates were no longer justified, that they should be eliminated, that the additional revenue which would thereby accrue would necessitate a lesser increase, if any general increase were in order.

MR. FRAWLEY: Mr. O'Donnell has now referred twice ---

MR. EVANS: Pardon me; I was just going to add something to what Mr. O'Donnell said. My distinct recollection of the suggestion made by Manitoba and other provincial counsel was that it differed slightly and quite materially -- slightly in language but quite materially in principle -- from the statement which is now in the outline submission in this case. I hope you will check me on that.

MR.SHEPARD: I certainly will, Mr. Evans, because these words "uneconomically low rates" were taken out of Mr. McLean's argument in the 21% case.

MR. FRAWLEY: Mr. O'Donnell has made a statement, and Mr. Evans has perhaps added to it, but twice Mr.O'Donnell

has referred to the fact that the provinces requested the railways to increase their rates, and one would think, listening to Mr. O'Donnell, that these rates that we have now been hearing about, these increases, were made, if you please, in servile obedience to what the province asked them to do. Now, that, of course, is not the fact at all. The Commission will find in the records of the Transport Board verbatim the argument by provincial counsel. The position which I took is abundantly clear. The railways were coming to the Transport Board and asking for a flat percentage increase in all rates, normal rates as well as special and competitive rates. I took the position that before the Board permitted the railways to increase those normal rates which are the backbone of the rates in my part of Canada, they should do two or three things: they should first increase all of those rates which were depressed where the reasons for the depression had since disappeared, and under that category certainly came the transcontinental rates. When one thinks that the railways were carrying canned goods from Ontario to Vancouver for 96 cents, and from Ontario to Calgary for $1.98, when there had not been a boatload through the Panama Canal after Pearl Harbor, then one can understand why I was saying to the railways that before seeking to increase their normal rates by 30 per cent or any percentage they should first take out of the rate structure those rates, depressed rates, competitive rates and other special rates, the justification for which had long since disappeared. When one thinks again that the railways were carrying fruit from Hamilton to Montreal for 45 cents, and carrying the same fruit from

Vernon, British Columbia, to Calgary, Alberta, for $1.04, then one understands what I meant when I said take these give-away rates out of the Canadian freight rate structure. That is what I said to the railways, and I am prepared to stand on what I said before the Transport Board. And for Mr. O'Donnell now to say that they raised those rates in obedience to the arguments of counsel before the Board, well, it is not the fact, and I am sure Mr. O'Donnell does not ---

MR. COVERT: My lord, if I may interrupt, this is all very interesting, but I do not think this is the place to debate this thing now. There will be a time and place, perhaps, for that. I do not think it is relevant at this hearing at all.

MR. FRAWLEY: Well, if Mr. O'Donnell had not raised it I would not have felt called upon to reply.

MR. O'DONNELL: Mr. Pugh, in reply to Mr. Frawley, said the discrimination formerly prevailing in regard to those rates has been removed. I said, do you know that that happens to be an old transcontinental rate, and in compliance with the request made, among others, Mr. Frawley, we have removed that rate, not strictly incompliance with the request, but by reason of the fact that there was authority ---

THE CHAIRMAN: I think Mr. Covert is justified in saying that this is apparently a matter that may be more profitably dealt with elsewhere. There is no use, every time Mr. O'Donnell says that the provinces asked that this be done, in getting up and discussing it all over again. Mr. O'Donnell used the same language in

Winnipeg that he used here today, and I suppose he will use it again.

MR. FRAWLEY: It is a little provoking, that is all, my lord.

THE CHAIRMAN: You will have your day in court.

MR. O'DONNELL: He has had it many days.

THE CHAIRMAN: Mr. Covert, can we now go on to the Regina Chamber of Commerce?

MR. COVERT: Yes, sir. I believe Mr. Whitmore is presenting the brief.

MR. MacPHERSON: Mr. Whitmore, K.C., of Saskatoon, is presenting it.

E. F. WHITMORE, called

THE WITNESS: Mr. Chairman and Commissioners, in April we filed with the Commission a submission which is dated April 13, 1949.

That submission fell, rather naturally, into two parts:

(1) A statement of disadvantages, anomalies and inequalities. (From the beginning of the submission to the end of the 3rd paragraph on page 9.)

(2) A statement of the remedies which we thought should be introduced. (Paragraph 4 on page 9 and pages 10 and 11.)

We recognize that the first part of that submission is largely a reiteration of what has been placed before the Commission, with varying degrees of particularity, by most of the submissions heard already.

Therefore, while we wish that part of our submission to be entered in the record we wish to devote as much of our time as possible to the second part of the submission -- a statement of the remedies which we advocate.

THE CHAIRMAN:Q.That begins on page 9, does it?

A. Yes; though I wish, of course, to refer in passing to portions of the first part, but I will do so as briefly as possible.

This submission is presented jointly by the Regina Chamber of Commerce, the Saskatoon Board of Trade and the Saskatchewan Associated Boards of Trade. It also has the support of the Retail Merchants' Association of Canada, Saskatchewan Branch.

The membership of the Regina Chamber of Commerce and the Saskatoon Board of Trade includes retailers, wholesalers, manufacturers, professional men, business men in general, farmers, and others, who reside in, or close to, those two cities. The Regina Chamber of Commerce has approximately 630 membersl the Saskatoon Board of Trade has approximately 600 members.

The Saskatchewan Associated Boards of Trade is an association of Boards of Trade and Chambers of Commerce in Saskatchewan. Its active membership consists of between 50 and 60 organizations, situate in the cities, towns and villages, large and small, of Saskatchewan. They are scattered throughout the entire Province and are not confined to any one district. In the larger centres, the membership of the local organization -- the Chamber of Commerce or Board of Trade -- is predominantly urban; in the smaller centres, it is

mainly rural. A number of other organizations maintain some connection with the Association but their participation in its activities is not as intensive as in the case of the 50 or 60 active members.

The Retail Merchants' Association of Canada, Saskatchewan Branch, which adds its support to this submission, has a membership of over 2,000 retail merchants who are carrying om business in Saskatchewan.

This submission therefore speaks from the ciewpoint and experience of a broad cross-section of the population of Saskatchewan's urban centres, both large and small, and, though perhaps not as directly, of the rural territory which is adjacent to them.

It does not profess to present detailed cases for retailers, wholesalers, industrialists, professional men or agriculturalists. It does, however, try to present the general views which are common to a varied and representative membership.

The conditions with which it deals are not peculiar to small sections of Saskatchewan; they are repeated, with local variations, throughout the whole of the Province, and, with slightly wider variations, throughout the entire Prairie Region.

It is not our intention to call witnesses or to adduce formal evidence. If we did, it would be only one more repetition of testimony which will have been heard frequently enough before the Commission concludes the present inquiry.

Some of the facts on which our submission is based will be supported by the evidence of other witnesses. Other facts are matters of public knowledge or

are based on Exhibits filed during recent hearings before the Board of Transport Commissioners. All of the essential facts on which we rely will, with very minor exceptions, undoubtedly be brought to the attention of the Commission before the end of the inquiry.

Actually, our submission is directed to matters of argument and principle rather than to questions of fact.

The districts from which this submission emanates find themselves under certain well-defined disadvantages in relation to the various transportation services therein. The wider areas of which they are an integral, and fairly typical, part find themselves under much the same disadvantages, although the disadvantages may very somewhat from one district to another.

Some of these disadvantages are economic, others are geographic, and others are historical or political. Some of them may be inevitable; others are the result of deliberately chosen policies. Some of them may be so firmly embedded as to be incapable of removal, at least within the immediate future; but others can be removed, and the fact that some cannot be removed makes it all the more necessary to eradicate as many as possible of the others.

2. INEQUALITY IN FREIGHT TARIFF LEVELS

Of those disadvantages, only one is emphasized in this submission. It relates to certain anomalies which are to be found in the existing railway freight tariffs. It comes directly within the purview of paragraphs I and 2 (a and b) of Order in Council P.C. 6033 of 1948. It is a disadvantage and an anomaly which can, in our

opinion, be removed and remedied at least to a major degree if appropriate action is taken by the Board of Transport Commissioners, and possibly, by the Governor in Council, and if suitable amendments are made to the Railway Act.

The matter which we request the Commissioners to review and report upon is the disparity which exists between the general level of freight rates in the Prairie Region and the general level of freight rates in the Eastern Region.

THE CHAIRMAN: I think the time has come to adjourn. We will continue at half-past two.

---At 1.00 p.m. the Commission adjourned to meet again at 2.30 p.m.

(Page 1024 follows)

Regina, Saskatchewan,
June 8, 1949

AFTERNOON SESSION

E. F. WHITMORE, Recalled

THE CHAIRMAN: Very well.

THE WITNESS: I indicated this morning --

THE CHAIRMAN: Q. Are you not going to take the stand?

A Someone suggested to me that I might be more audible from the counsel table.

MR. MacPHERSON: I suggested that it might be better to have him here.

THE WITNESS: I indicated this morning that the matter which we request the Commission to review and report on --

THE CHAIRMAN: I do not see how the questioning can be done with you at the counsel table.

MR. O'DONNELL: If he would move forward about four feet it will help.

THE CHAIRMAN: Counsel will want to question you afterwards, and it will be difficult if you stay where you are. I will be much obliged if you will speak up.

THE WITNESS: Yes. I indicated that the matter which we wish the Commission to review and report on is the disparity which exists between the general level of freight rates in the eastern region, in eastern Canada, and the general level of freight rates in western Canada. By the expression "western region" or "prairie region" I mean that area which includes western Ontario, Manitoba,

ACT V. SCENE

[illegible]

[illegible]

[illegible]

Saskatchewan and the greater part of Alberta. At the centre of the most characteristic part of that region lie the areas in which we are situated.

(As a result of the judgment which the Board of Transport Commissioners recently - on April 23, 1949 - delivered in the Mountain Differential Case, and as a result of Order No. 72298 which it issued on April 23, 1949, the Pacific (or Mountain) Region will, after July 1, 1949, find itself, for the present purpose, in much the same relative position as the Prairie Region).

By the expression "eastern region" I mean more particularly the provinces of Quebec and Ontario with three exceptions.

THE CHAIRMAN: Q. With what?

A Three exceptions. (1) That part of Quebec which lies east of Levis and Diamond Junction; (2) that part of Ontario which is sometimes referred to as the Superior Region; and (3) that part of western Ontario which is included in the prairie region.

The relation between the general level of eastern rates --

Q Is that west of Armstrong? Is that right?

A West of Armstrong.

MR. EVANS: Armstrong on the C.N.R. and Fort William on the C.P.R.

THE WITNESS: West of Armstrong, and the Fort William-Port Arthur area is what I mean. The relation between the general level of eastern rates and of western rates has varied from time to time. I do not think it is necessary for me to outline the long and rather intricate

history of the changes in that relation. Immediately prior to the judgment which the Board of Transport Commissioners delivered on March 30, 1948, in the 30 per cent case, the general level of freight rates as a whole was and always had been, higher than the general level in the east.

THE CHAIRMAN: Q. What page of your brief are you looking at now?

A I am speaking with reference to the top of page 3, Mr. Chairman. That fact was recognized by the judgment which Chief Commissioner Cross delivered in the 30 per cent case, especially at page 62 of the printed judgment. The Chief Commissioner said:

> "While in many instances on certain traffic moving between points in the prairies, the rates there are lower than on the same traffic in Ontario-Quebec, in other cases the reverse, of course, is true. The general rate level as a whole in Ontario-Quebec is below that in the prairies."

The existence of that disparity has been recognized --

MR. O'DONNELL: Q. Are you not completing the quotation on that point?

A Yes, if you wish.

> "And the reasons and justifications therefor have been set out at great length in various judgments of the Board, the fullest statement in this connection being contained in the judgment in the Western Rates Case (17 C.R.C. 123)."

The existence of this disparity has been recognized during the last thirty-five years since 1914 in several

other judgments of the Board of Transport Commissioners, and in at least two orders in council relating to freight rates. In some cases the disparity has been deplored; in some cases it has been justified, but its existence has never been doubted.

THE CHAIRMAN: Mr. Whitmore, just as a matter of convenience, we are not hearing the brief read now? You are reading something. Has everybody been given a copy of this?

THE WITNESS: No, Mr. Chairman, not entirely. I am elaborating to some extent.

THE CHAIRMAN: I do not know to what extent it may prove inconvenient.

MR. O'DONNELL: It is hard to follow without having a copy of it.

THE CHAIRMAN: You see, authorities have been quoted and citations have been given, and so on, and other counsel have not been furnished with these things.

THE WITNESS: I am elaborating on a submission which was originally simply a series of --

MR. MacPHERSON: I do not think Mr. Whitmore, who is a counsel himself, and who is counsel for the Board of Trade, has copies to distribute.

THE WITNESS: No, I have not.

MR. MacPHERSON: Really he is elaborating on the brief as it was presented. That is really the position I think he is taking.

THE CHAIRMAN: Q. You are arguing now, are you?

A Yes.

MR. MacPHERSON: Yes, this is a sort of factum.

THE CHAIRMAN: Q. So that we should consider Mr. Whitmore as part witness and part counsel. Is that the idea?

A I think so, Mr. Chairman, yes.

Q Because you see you have to be questioned by those who are listening to you.

A I understand that.

Q Very well.

A I mentioned the authorities of the Board of Railway Commissioners. In a statement which I have filed with the Secretary they are set out at length. Unless counsel wish me to refer to them in detail at this point I will not do so. It would only consume time.

(The following arethe authorities referred to):

In re Western Tolls (Western Freight Rates Case) (1914) 17 C.R.C. 123 at 170 (Sir Henry L. Drayton,C.C.)

In re Eastern Tolls (1916) 22 C.R.C. 4 at 41 (Sir Henry L. Drayton, C.C.)

In re Increase in Passenger and Freight Tolls (Increase in Rate Case) (1917) 22 C.R.C. 49 at 84 (Sir Henry L. Drayton, C.C.)

Railway Association of Canada v. Canadian Manufacturers' Association et al (Increase in Rates Case No. 2) (1920) 26 C.R.C. 130 at 142-143 (Hon. F. B. Carvell, C.C.)

Governments of Manitoba and Saskatchewan v. Railway Association of Canada (1920) 26 C.R.C. 147 at 151 (P.C. 2434, referring the Increase In Rates Case No. 2 back to the Board).

See also:

Re Freight Tolls (Reduction in Freight Rates Case, 1922) (1922) 27 C.R.C. 153 at 171-178 (Board). In Re General Freight Rates Investigation (1927) 33 C.R.C. 127 at 131 and 369 (P.C. 886, directing the General Freight Rates Investigations, 1925-1927). In re General Freight Rates Investigation (1927) 33 C.R.C. 127 at 137 (Hon. H. A. McKeown, C.C.).

The relation between eastern rates and prairie rates has varied from time to time but, in spite of the numerous changes which have been made in the Canadian freight rates structure, the general level of the eastern rates has always been lower than the general level of the prairie rates.

This disparity in favour of the eastern region, I suggest, is discernible in each of the main type of freight rates which together compose the Canadian freight rates structure.

In the month of June, 1948, we filed with the Board of Transport Commissioners a submission in connection with the general freight rates investigation in 1948. A copy of that submission is appended to our printed submission to this Board. I am referring to that submission because it contains more complete details of the disparities which I have mentioned. Those details are found from the middle of page 3 to the end of page 8 of the submission to the Board of Transport Commissioners. I should like to have that treated as a part of the record of this hearing.

MR. COVERT: I think perhaps it would be preferable to have it put in as an exhibit rather than to have it copied into the record.

THE WITNESS: I think so. That would suit me.

MR. COVERT: That will be Exhibit No. 10.

EXHIBIT No. 10: Submission to Board of Transport Commissioners by Regina Chamber of Commerce, Saskatoon Board of Trade and Saskatchewan Associated Boards of Trade.

THE CHAIRMAN: Q. You say there is a copy appended to the brief? Is that right?

A Yes.

MR. EVANS: Q. May I ask Mr. Whitmore to clear up my thinking? Do you say you are now adopting as a part of this record the appendix from the top of page 3 to the middle of page 8? I have the middle of page 13 noted on your brief.

A Well, in particular at this point from the middle of page 3 to the end of page 8. I will refer to another part later on.

For the sake of convenience, the following particulars are copied from the submission of June 12, 1948:

Page 1031 follows

(a) Standard Mileage Rates

The relation between Standard Mileage rates for the Eastern Region and for the Prairie Region depends on, and varies with, the distance involved and the class of goods in question.

There are many movements for which the Prairie rate is the higher. There are other movements, especially in the case of short distances, very long distances, and 10th class traffic, for which the Eastern rate is the higher.

One set of calculations shows that the disparity against the Prairie region is exceptionally noticeable for distances between 200 and 280 miles and for distances between 400 and 640 miles For those distances the average Prairie rate is never less than 9 per cent greater than the average Eastern rate. The peak of this disparity - 15 per cent - is reached at 560 miles which happens to be almost exactly the same as the distance from Montreal to Windsor. The same set of calculations shows that for distances up to 1000 miles the Prairie rates are on an average 3.6 per cent above the Eastern rates for the same distances. (Exhibit 324; Robert E. Moffat; Province of Manitoba witness).

The same set of calculations - Exhibit 324 - shows on the whole much less disparity between the rates used in the Prairie region and those used in the Superior region, which is usually regarded as a district where rates should be higher than in other parts of Canada east of the Pacific region. For distances between 280 and 1000 miles there is a remarkable degree of equality; only at two distances -

K. Thurber

1.) Edmund Griffin (JK 1)

520 and 540 miles - does the difference exceed 3 per cent; for those two distances it amounts to 3.4 per cent and 3.3 per cent respectively; in many cases the difference isless than 2 per cent and even less than 1 per cent. On the whole - for distances up to 1000 miles the Prairie rates are on an average .4 per cent below the superior rates for the same distances.

While the relation may vary from class to class, from distance to distance and from shipment to shipment, the fact remains that generally speaking Standard Mileage rates are higher in the Prairie region than they are in the Eastern region.

The reason for referring to the differences in Standard Mileage rates is not only the volume of traffic to which they apply but also the part which they play in determining the level of Town Tariffs, Distributing Class Rates, Commodity Mileage Rates and other Special Rates. As Standard Mileage rates are higher or lower, so very often are the others. Inequalities in Standard Mileage rates are frequently repeated and even magnified and increased in the other rates which are based, more or less directly, on them.

(b) Town Tariffs and Distributing Class Rates

Town Tariffs and Distributing Class rates under which certain classes of traffic move from recognized distributing centres are on the whole lower than Standard Mileage rates. In this case there are two distinct features which operate to the advantage of the Eastern Region.

The first is thatTown Tariffs (Schedule A rates) as applied in the Eastern region are on the whole lower than the distributing class rates which are used in the

Prairie region.

Once again the relation may vary from class to class, from distance to distance and from shipment to shipment, but in general the Prairie rates are the higher.

One illustrative set of calculations shows that for distances up to 105 miles (i.e. the distance between Winnipeg and Carberry, or between Saskatoon and Brock) the distributing rate for certain shipments from Winnipeg or Saskatoon is lower than the town tariff for similar shipments for the same distances from Toronto, but that for distances between 105 miles and 250 miles (i.e. from Winnipeg to Brandon, Virden, Kirkella, Wapella or Whitewood), the Prairie rate is the higher. (Exhibit 325; Robert E. Moffat; Province of Manitoba witness).

As a general rule it can be said that the distributing rates in use in the Prairie region are lower than schedule A rates for distances up to 50 miles, but higher for distances exceeding 100 miles; normally the difference becomes greater as the distance increases. (Judgment of Cross, C.C. at p.61).

There is another feature of these rates which tends to produce a relatively lower level of rates in the East. Schedule A rates as used in the Eastern region apply in both directions; they apply to shipments moving from the distributing centre to some other station as a destination; they also apply to shipments moving to the distributing centre from some other station as a point of origin. One result of this is that they tend to become maximum rates for intermediate points.

In the Prairie region, by way of contrast, Distributing Rates apply only to traffic moving from the distributing centre to some other place as a destination. Theydo not apply to shipments moving towards the distributing centre. For this reason they apply to and control, whether directly or indirectly, a much smaller volume of traffic than do the town rates; they leave a largervolume of traffic to be carried under the generally higher Standard Mileage Rates and they have little, if any, effect in curtailing rates from intermediate points.

(c) Commodity Mileage Rates

Commodity Mileage Rates are almost universally lower than Standard Mileage Rates.

In the case of a number of very important commodities, Commodity Mileage Rates are higher on the Prairies than they are in the East. The following commodities are mentioned as examples:

(1) Lumber: Lumber traffic largely moves under Agreed Charge Scale C.T.C.(A.C.)No. 15, in the Prairie region and under a Constructive Scale in the Eastern region. For distances over 190 miles the Prairie rates are higher and as the distance increases the disparity becomes greater. At 825 miles the Prairie rate is one third higher than the Eastern rate and at 1000 miles it is virtually 50 per cent higher. (Exhibit 58A; C. E. Jefferson; C.P.R. witness).

(2) Other Forest Products: On rough sawmill slabs (over 4 feet) Prairie rates are higher for distances over 25 miles. On fuel wood (over 4 feet) the Prairie rates are

higher for distances over 55 miles. In both instances the difference becomes pronounced even in the case of a comparatively short distance -- for instance 150 miles. (Exhibit 58 C.E.Jefferson, C.P.R.Witness).

(3) Scrap Iron and Steel: Prairie rates are higher for distances over 575 miles. (Exhibit 60; C.E.Jefferson; C.P.R.Witness).

(4) Cement: The Prairie rates are higher for distances over 110 miles.(Exhibit 53,C.E.Jefferson,C.P.R.Witness).

(5) Lime: The prairie rates are higher for distances over 60 miles.(Exhibit 53 Supra).

(6) Grain: The Commodity mileage rates on grain, grain products and flaxseed are higher in the Prairie Region for almost all distances. (Ex.56,C.E.Jefferson).

The foregoing list does not purport to enumerate all the commodities for which the Commodity Mileage Rate is higher in the Prairie Region either for all distances, or for some distances. Its only purpose is to present a few illustrations of a general trend.

There are cases where the Commodity Mileage Rates in the East are higher than these on the Prairies and there are other cases where the two sets of rates are closely similar but on the whole, Commodity Mileage Rates are higher in the Prairie Region than the corresponding rates in the Eastern Region.

(d) Competitive Tariffs.

In many instances goods, instead of being carried under Standard Mileage Rates, Town Tariffs, Distributing Class Rates or Commodity Mileage Rates, are carried under Competitive Tariffs which are lower than any of the other rates. Special rates of this type are much more common in the East. On the whole they are much lower in the East.

Their effect as a group in reducing freight rates is much greater in the East than in the Prairie Region.

(e) Cumulative Effect of Differences in Levels.

The first conclusion which we draw drom the foregoing is that in general the various prairie rates are higher than the corresponding Eastern rates.

The second is that the freight rate structure existing in the Eastern Region affords many more opportunities of shipping on a lower type of tariff than does the structure provided for the Prairie Region.

The ultimate result is that on the whole, freight movements are in commercial fact cheaper in the East than on the Prairies, i.e. a specified quantity of goods can on the average, be moved for a specified distance in the East for less freight than the same quantity of the same goods can be moved for the same distance on the Prairies.

It has indeed been estimated that prior to March 30, 1948, the difference was such that, on the average, the freight on a shipment of goods would be, and, in fact was 13%, 14% or 15% more in the Prairie Region than in the Eastern Region. This statement is not based on a comparison, in the abstract, of each Prairie Rate with the corresponding type of Eastern rate but on a comparison of the freight revenue in the two regions, that is, of the revenue which in the two respective Regions is actually received from carrying the same commodities, e.g. fruit and vegetables, coal, grain and grain products, etc.

The following are some of the commodities which were taken into account in the preparation of the foregoing estimate. Opposite each commodity is set forth the percentage by which, on the average the freight on a shipment of that commodity in the Prairie Region exceeds the freight on a similar shipment in the Eastern Region.

Fruits and vegetables	48.3
Cement	40.0
Coal - Anthracite	37.2
Coke	30.9
Ores and Concentrates	26.7
Petroleum, petroleum products and Ashaltum	23.8
Dressed meats and Packing House Products	17.9
Grain and grain products	17.3
Coal - Bituminous	15.5
Livestock	14.3
Lumber, logs, pulpwood, shingles, etc.	12.4
All Other Revenue Billing (Carload and L.C.L.)	11.9
Sand, gravel and stone (crushed)	4.9

(These conclusions as to the cumulative effect of the differences in levels are based on Exhibit 326 which was filed in the Thirty Per Cent Case by Robert E. Moffat, a witness for the Province of Manitoba. The principles on which that Exhibit was based and the conclusions which it is alleged to support have been the subject of controversy. We are not in a position to vouch for the conclusions reached by the witness or to express any expert opinion in the matter. We submit it merely as a reasoned estimate illustrating, in concrete terms, the potential results of the present difference in levels. Present statistics and accounting methods are such, and probably unavoidably so, that it appears to be impossible to either prove or disprove the conclusions asserted in the Exhibit.)

Whether the exact difference between the east and west is greater or smaller, we come back to the opinion expressed by Chief Commissioner Cross in the 30 per cent case that "the general rate level as a whole in Ontario-Quebec is below that in the prairies." No one has ever suggested that the difference is so small as to be immaterial or negligible.

The absolute differences between the two general levels measured in terms of money - in cents per hundred pounds - which existed prior to March 30, 1948 were naturally and almost obviously increased and made more noticeable by the percentage increase in rates permitted by Order No. 70425 which the Board of Transport Commissioners made on that date. If further increases of the same type are authorized in compliance with the applications which are now pending before the Board, the absolute differences will become still greater, still more noticeable and still more onerous.

It had been our intention to develop at this point the theme that quite apart from inequalities in the present freight rate level, the prair/ie region labors under geographic and climatic handicaps which are permanent and inescapable and interwoven with economic disadvantages which cannot be removed in any short space of time.

A perusal of the submissions which other organizations are making indicates that a number of them are adverting to these geographic, climatic and economic disadvantages, and are doing so with greater particularity and intimacy than I could hope to do so. For that reason, and to avoid unnecessary repetition and reading, I should

like to file as a part of the record that portion of our submission of April 13 of this year which commences with the second last line on page 6 and continues to the end of the third paragraph on page 9.

MR. O'DONNELL: Q. You do not intend to use that?

A I intend to submit it but not to read it.

THE CHAIRMAN: This is another submission?

A This is the submission which I filed with the Commissioners on April 13.

Q Oh, with us?

A Yes. Unless someone wishes me to do so I have no desire to read it out loud. It is only a repetition of what has been said in greater detail, and with even more personal intimacy by a number of other witnesses.

(The following is the material referred to above)

Page 1038B follows

Its mid-continental position places the Prairie Region, and especially the Province of Saskatchewan, far distant from either coast. To the element of distance is added other physical obstacles. Between the Prairie Region, and the Pacific Coast, but lying outside of the Prairie Region, are two vast mountain ranges where the cost of railway construction, maintenance and operation is abnormally high. Separating the Prairies from Quebec and Eastern Ontario but lying outside of the most typical part of the Prairie Region, is a huge area of country which is relatively unproductive of freight revenue.

Working in conjunction with these physical obstacles to the detriment of the Prairies are a number of economic factors which are partly the result of physical features and partly the result of intentional planning.

Canada's main industrial centres and areas of greatest population are in Quebec and Eastern Ontario, and, to a lesser extent, on the Pacific Coast. They are the sources of supply from which the prairies must purchase and the markets to which the Prairies must ship. Because of this, much of the freight traffic in which the Prairie Region is interested moves over inordinately long distances and through areas where transportation costs are unusually high.

Tariff barriers tend to aggravate the situation. Their effect, and indeed, their purpose is to compel the movement of goods in an easterly and westerly direction within the country, instead of from and to the south, across the International Boundary -- over the longer hauls instead of the shorter hauls. It is not to be forgotten that the

majority of our main railway lines run east and west rather than north and south. We do not contend that the question of tariff policy is directly within the scope of the present inquiry, but we do submit that it is within the province of the Commissioners to consider whether the existing system of tariffs is an economic disadvantage by reason of which Western Canada is adversely affected by transportation difficulties. Like high mountain ranges, level prairies, cold winters, long distances and barren territories, it is one of the circumstances under which the Canadian railway system operates, even if its effect is more apparent in the cost of freight shipments than in the mechanical problems of construction, maintenance and operation.

Furthermore, the general economy of the Prairie Region places it in a highly vulnerable position with respect to the ultimate incidence of the burden of freight rates. Its population is small; it is a large importer of manufactured goods, the price of which to the Prairie consumer is fixed by the more powerful market at the place of production; it is an exporter of primary products which are sold mainly either abroad or in parts of Canada other than the Prairies, and the price of which to the primary producer is fixed by world markets over which he has little control. It is an almost inevitable consequence that freight will be included in the price which the Western consumer pays for imports but deducted from the price which the Western producer receives for exports; in each case, the ultimate burden falls on the Prairies; the inevitability of that consequence has been thoroughly demonstrated by experience.

There are areas, even in the Prairie Provinces, where the potential burden of the normal freight rate

structure is alleviated somewhat by special factors. In Saskatchewan the effect of alleviating factors is very slight.

We are dependent on the railways to a degree which is unknown in most other parts of Canada. Water routes, whether natural or artificial, and foreign railways are completely absent. Geographic, climatic, physical and economic conditions place serious restrictions on highway transportation and substantially curtail the possibility of shipping by truck. The direct consequence of this is that railway freight rates are able to remain near their permitted maximum instead of being reduced by the pressure exerted by other types of transportation.

Such special features as the Transcontinental Rates and the Fictitious Mileages from the Lakehead to Winnipeg and from Vancouver to Glacier, B.C. fail to provide as much relief as they furnish to other sections. Our central portion places us outside of their most effective range and even the modicum of benefit that we do receive is largely offset by the greater advantage which some other district receives from the same devices.

In developing our theme, we have referred to a number of disadvantages, handicaps and anomalies. Some of them cannot be removed; some of them cannot be removed in the immediate future; some of them may lie outside of the true scope of the present inquiry. For one reason or another, there is every prospect of many of them continuing to endure for an indefinite period of time.

We believe, however, that the disparity in the general level of freight rates is an anomaly which militates to the disadvantage of the entire Prairie Region, including the Province of Saskatchewan, and that it is an anomaly which can be removed and the continuance of which is no

longer justified. The very fact that some of the other disadvantages seem to be impregnable makes the occasion more urgent and the need more imperative. Other handicaps should not be accentuated by unnecessary disparities in freight rates. To some extent, the regional inequalities in freight rates actually assist in perpetuating the detrimental results of the other adverse factors. The higher cost of railway freight on the prairies is one more contributing cause which deters the growth of industry and militates against an increase in population.

So far this submission has been intended mainly, as other submissions before, to indicate that anomalies and inequalities do exist in each of the component parts of the Canadian Freight Rates Structure, and to furnish in a general way details of these inequalities, and to assert, if only in the form of a conclusion or summary, that these anomalies and inequalities operate in a very tangible way to the disadvantage of the prairie region.

My next step is to outline the measures which, in the opinion of these three organizations, should be initiated to assist in the removal of these anomalies and inequalities in the freight rate structure. In doing so I wish to elaborate on our printed submission.

MR. O'DONNELL: Q. Which one is this?

A Either of them, sir, but particularly that of April 13 of this year. I deal first with the equalization of tariffs. To us it seems that the only solution which is both feasible and just is the introduction of a greater measure of equalization between rates for similar traffic in

Mr. Whitmore

different regions.

THE CHAIRMAN: Q. Where do you deal with equalization?

A It is summarized very briefly starting at the foot of page 9 and continuing on page 10 of our printed submission.

Q Yes, I see. I had the second submission before me. It begins where you have the words "we accordingly request the Commissioners".

A That is right, Mr. Chairman. I am repeating that request, and I would now like to elaborate on it because I realize that equalization in the absolute or abstract is subject to a number of criticisms. The only alternative I think - and in saying this I am departing from the contents of the printed submission - would be to continue and preserve the present discreparcies on the excuse that they have always existed in the past, and that the existing theories of unjust discrimination, and undue preference do not positively demand their removal.

We accordingly request the Commissioners to submit the general recommendation that suitable action be taken to accomplish that equalization of western and eastern freight rates which, since 1916, has so frequently been declared to be the policy of both the Board of Transport Commissioners and, through its orders in council, of the dominion government.

There are a number of authorities which advocate and approve the general desideratum of the equalization of freight rates as between the prairie region and the eastern region. They are referred to in our submission to the

Board of Transport Commissioners, which is marked as an appendix, and rather lengthy quotations from them are contained on pages 10 and 11 of that submission.

(The following is the material referredto in the submission of June 12, 1948)

Page 1038H follows

In In re Eastern Tolls (1916) 22 C.R.C. 4, the Chief Commissioner (Sir Henry L. Drayton)said at p. 41:

> "While, as has been set out at greater length in the Western Rates Case, differences of conditions do exist between eastern and western Canada, and while western freight rates have already materially been reduced, the general schedule there obtaining is still higher, notwithstanding the fact that certain western rates that may be instanced are lower. There is no doubt but what the Act requires and the general public interest of the country as a whole demands, that, if practicable, eastern rates should be advanced so that the different schedules may more nearly approach a parity.
>
> I am aware that an absolute parity is impracticable, but as conditions become similar, a reasonable parity ought to be obtained."

In Railway Association of Canada v. Canadian Manufacturers Association et al (1920) 26 C.R.C. 130, the Chief Commissioner (Hon.F.B.Carvell) repeated, apparently with approval, (at pp. 142-143)the above quotation from Sir Henry L. Drayton's judgment and then added, at page 143:

> "This principle should be followed. Giving weight to the conditions set out in re Western Tolls as affecting the relative levels of tolls east and west of Fort William and also bearing in mind changes in conditions which have taken place, I am of the opinion that it is justifiable to allow a reasonably less percentage of increase

"pon freight tolls west of Fort William than east thereof."

An appeal from the judgment in the last-mentioned case was taken to the Governor-General-in-Council. The matter was referred back to the Board by Order in Council P.C.2434, dated October 6, 1920. See (1920) 26 C.R.C. 147. The order in council contained the following statement at page 151:

> "Very strong representations were made at the argument on appeal to the effect that the Order continued and indeed intensified an unjust discrimination in rates, it being claimed that higher freight rates prevail generally in Western Canada, that is west of Fort William, than prevail in Eastern Canada, that is east of Fort William. It was strongly urged that the reasons, whatever they may have been, for this differential no longer exist, and that as a matter of public policy the principle of equalization of rates east and west should now be recognized. On the other hand it was urged that the competition arising out of lake and river transportation and as well out of lower competitive rates on Eastern United States lines compelled a somewhat lower scale in Eastern Canada than in Western Canada. Whether or not these reasons now obtain in any substantial degree is a question which requires minute and expert investigation such as can be best conducted by the Railway Commission itself and not by your Excellency's Advisers, but the Committee is strongly impressed with the very great desirability of

"bringing about with the least possible delay equalization of Eastern and Western rates. The Committee of the Privy Council therefore further recommend that as conditions have probably changed materially in recent years tending more and more to make equalization practicable, an enquiry by the Board be directed to be held at the earliest date with a view to the establishment of rates meeting to the utmost extent possible the above requirements as to equalization."

The General Freight Rates Investigation of 1925-1927 was conducted pursuant to the directions contained in Order -in- Council P.C. 886 which was issued on June 5, 1925. The Order in Council (1927) 33 C.R.C. 127 at pp. 131 and 369 - contains the following declarations of policy:

"The Committee are of the opinion that the policy of equalization of freight rates should be recognized to the fullest possible extent as being the only means of dealing equitably with all parts of Canada, and as being the method best calculated to facilitate the interchange of commodities between the various portions of the Dominion, as well as the encouragement of industry and agriculture and the development of export trade.

The Committee are further of the opinion that to give effect to this policy, and considering the submissions made by counsel and important trade organizations representing diffenent provinces and localities in the Dominion as to

"disadvantages that would be suffered by such provinces and localities by any partial or incomplete consideration of the freight rate structure, a thorough and complete investigation of the whole subject of railway freight rates in the Dominion should be carried out by the Board of Railway Commissioners, the body constituted by Parliament with full powers under statute to fix and control railway rates.'

In the course of the judgment which he delivered at the conclusion of the General Freight Rates Investigation the Deputy Chief Commissioner (Thomas Vien,K.C.) expressly accepted the first paragraph of the above quotation as enunciating the policy which should be recognized. See (1927) 33 C.R.C. 127, at pp.231-232.

Our contention is that it should be a fundamental principle of the Canadian freight rate structure that the freight rates charged for the movement of similar shipments over the same distances in all regions should be, as nearly as possible, equal.

MR. COVERT: Q. I wonder if I might ask you to repeat that slowly. Perhaps counsel would like to take it down. It is a fundamental principle.

A I may say I regret this part was not mimeographed. I was not aware that it should have been. I thought this would be presented as verbal argument.

THE CHAIRMAN: Q. As I now understand you, you are submitting the case, is that it?

A Pretty well.

Q Are you going to call other witnesses?

A No.

Q You see this morning Mr. MacPherson had you go in the box. I thought you were going to read the brief, as others have done, and be examined on it, but now you as counsel are submitting the case?

A Yes, a case which I suppose normally would be submitted at the end of your Commission's inquiry, except I will not be there at that time.

Q You are doing it now once and for all?

A Yes. It is rather putting the cart before the horse, but I am afraid it is inevitable.

Q In addition to that are you going to call witnesses?

A No.

Q There will just be yourself?

A Just myself. To repeat, our contention is that it should be a fundamental principle of the Canadian freight rate structure that the freight rates charged for the movement of similar shipments over the same distances in all regions should be, as nearly as possible, equal, except to the extent that differences are made necessary --

Q Except to what extent?

A Except to the extent that differences are made necessary by possibly four factors. They are (1) effective competition.

MR. COVERT: Q. Just go very slowly with this, please.

A Yes.

THE CHAIRMAN: There are four factors that you say may prove exceptional?

A The first is effective competition.

Q Effective competition?

A Yes. (2) The national interest; (3) the interests of the public.

MR. COVERT: Q. What was the third one?

A The interests of the public.

THE CHAIRMAN: Q. What was the second one?

A The national interest.

Q Is that not the same thing, the interests of the public and the national interest?

A I was wondering last night whether they are. I think possibly they are somewhat different forms of a common exception.

Q Then after public interest what is the fourth one?

A (4) Possibly other special circumstances.

Q You say if none of these four elements existed that freight rates should be equal?

A As nearly as possible. I am not demanding absolute equalization even then. I am afraid it is impossible by this time.

We are not advocating the alteration ofthe general classification of tariffs.

COMMISSIONER ANGUS: Q. Does that mean that you do not like the tapering of rates?

A No, I would still retain the tapering of freight rates.

THE CHAIRMAN: Q. You would still what?

A I would still retain the tapering of freight rates. I am speaking of equal rates for equal distances.

Q You are in favour of the tapering of rates then?

A Yes, Mr. Chairman. Standard tariffs, town tariffs, distributing class rates, commodity rates of various types, terminal rates, other special class rates, competitive rates of various types, and agreed charges would all retain their general place in the structure. The particular purpose of each, and their general relation to each other would not be altered.

But we do urge the adoption of the general principle of equalization - that tolls in respect of all traffic of the same description, moving over the same distances should, as nearly as possible, be charged equally in all regions to all persons and at the same rate, either by weight, by mileage or otherwise, whether it passes over the same line or route or over different lines or routes.

To clarify the exact nature and extent of that recommendation, we submit the following specific recommendations.

MR. COVERT: Would you go slowly, please?

MR. O'DONNELL: Q. Are those printed?

A No, unfortunately not.

(1) The principle of equalization - equal rates for the movement of similar shipments over the same distances in all regions - should be applied to standard freight tariffs.

(2) The principle of equalization should also be applied to the distributing rates which are used in some regions, including the prairie region, and in comparison with them the town rates which are used in Ontario and Quebec, with the result that they come closer to a common level. Furthermore, these two types of rates, the

distributing rates in one region and the town tariffs in the other, should be assimilated more closely with respect to the manner of their application and, in particular, the distributing rates should be made applicable to shipments to distributing centres as well as to shipments from distributing centres.

(3) It will probably be both necessary and desirable to retain most of the special class rates.

THE CHAIRMAN: Q. Special what?

A Special class rates. Some of them are of such long standing that they have become an integral and fundamental part of the Canadian freight rate structure. To remove them, at least within any short time, would result in a serious dislocation. At the same time the principle of equalization should be applied as far as possible to corresponding special class rates, and all of them should be adjusted in relation to the new standard tariff rates. I think that the so-called terminal tariffs would fall into this category.

(4) I recognize that these recommendations will apparently necessitate changes in the percentage relationship between the rates charged for the various classes in some of the class tariffs either in eastern Canada or in western Canada. In one place or the other it may be necessary to make a percentage change in the relation between first and fourth class rates, and between first and fifth class rates.

(5) The principle of equalization should be applied as far as possible as between commodity rates for similar commodities, especially in cases where the rates are

constructed on a mileage basis. That may necessitate the introduction of new commodity rates in some regions and, perhaps rarely, the withdrawal of some of the existing commodity rates.

We recognize that if commodity rates are to serve their appointed purpose the principle of equalization cannot be applied too rigidly, that changes in the commodity rate structure must come slowly, and that some of these rates may remain unchanged indefinitely.

(6) We do not contend that it will be possible to apply the principle of equalization to competitive tariffs, either to those which are known as competitive tariffs or to those which are not called competitive tariffs but which are in fact the outcome of a substantial measure of competition.

(7) We do not wish to question the principles involved in the Maritime Freight Rates Act of 1927.

(8) Still dealing with equalization these recommendations are subject to one general qualification or concession. We are urging that the principle of equalization be applied as far as possible. At the same time we appreciate that the present structure, and the more we listen the more we appreciate it, is complex and extensive, that it has grown slowly over a long period of time, and that it has had, and still has, and will continue to have, a very substantial effect on the life of the country. For that reason we are not advocating that the principle of equalization be applied in any hurried or thoroughgoing or sweeping manner regardless of the consequences. We do

not subscribe to any theory of vested rights in existing freight tariffs or to any theory of vested rights in other economic advantages, but we do realize that it may be necessary to apply this new principle in a reasonably cautious manner, and that there will be limits beyond which it cannot be taken.

Page 1039 follows

Having dealt thus far with equalization, I would like to turn next to the regulations of competitive tariffs, commodity tariffs, and other special tariffs. General equalization may prove to be virtually impossible in the case of competitive tariffs; and even in the case of many commodity tariffs and other special tariffs, to a large extent, they are outside the reach of our first main recommendation.

Such tariffs should, I admit, be retained as a part of the Canadian freight structure. They perform a service which is useful and which, in fact, is almost essential; yet, they may be the subject of abuse. They have been the cause of complaint,.

There is, for instance the widely held belief that it should be possible to attain a greater degree of equality than now exists in the case of commodity tariffs and other special tariffs. Another widely held opinion is that some competitive tariffs are uneconomically low, lower than is warranted by the nature of the extent of the competition which actually exists, or which is reasonably to be anticipated, or by any compensating advantage to the nation, to the carriers, or to any substantial portion of the public.

THE CHAIRMAN: Q. Do you know which commodity rates are in that position? A. No, I do not, Mr.Chairman.

It is said that they do not provide the profit that they should, and that they leave too much of the railway's revenue to be produced from other rates. Such complaints, I think, are inevitable. Some of them may be well founded. They cannot, and I know it,

be either prevented or remedied by any sweeping application of the principle of equalization. They require a very skilful balance of conflicting interests by a specialized body equipped with adequate powers; and it must be, I think, left to the Board of Transport Commissioners, to investigate and to take effective action when the occasion arises.

But if control by theBoard of Transport Commissioners is to be effective, two things are necessary:

(1) Either an extension or a clarification of the functions and powers of the Board.

(2) An alteration of the principles which it is to apply.

I now turn my attention to each of these topics in turn. I shall deal first with the functions, the positive duties of the Board of Transport Commissioners; and then later, with the principles which we think it ought to apply.

The general statutory framework provided mainly by sections 325 (1,2,3) 328, 330 (1 and 5), 331, and 332 for the introduction, alteration and control of tariffs, including special tariffs and competitive tariffs, seems on the whole, to be satisfactory.

At the same time, we think that the controlling powers of theTransport Board should be made more explicit in two respects:

First, the Board should clearly have power to be exercised either of its own motion or on the application of another interested party, of introducing commodity rates and other special tariffs, and of offering commodity

tariffs, other special tariffs, and also competitive tariffs.

Secondly, the Board should have the power to be exercised either on its own motion, or on the application of any interested party, of preventing the cancellation or expiry, or of ordering a continuance of any commodity tariff or any special tariff.

The present legislation, which consists especially of sections 325 (1,2,3), and section 331 (3) clearly applies to the case where a toll is advanced by thefiling of a special tariff, but it is none too precise in covering the situation where the railway raises its rates by the device of discontinuing a special tariff or permitting it to expire.

Whether these two suggestions as to the powers of the Board amount to an extension of its powers or to a clarification of its existing powers may be an open question. The essence of our contention is that the Board should have these powers and that, if necessary, the railway Act should be amended to confer them.

These recommendations would either extend or clarify the Board's control over special and competitive tariffs but they do notgo to the length of advocating thatchanges in special and competitive tariffs should be subject to the approval of the Board. The introduction of that requirement would probably make the system far too cumbersome and far too rigid.

I pass on to deal with the principles to be applied by the Board. This next contention urges a clarification and an alteration of the principles which the Board

HH

should apply when it is dealing with changes in any part of the freight rates structure. It is important that the powers of the Board should be made more appropriate, but it is of even greater importance that changes be made in the jurisprudence or body of principles to be applied by the Board when exercising its powers.

Section 325,(subsection 1, and 5) at the present time does in a rather oblique fashion state that tariffs shall not be unjust or unreasonable. Sections 314, 316, 317, 319, 320, and 325 (1,5,6) are quite precise in prohibiting unjust discrimination and undue preferences. Those provisions as interpreted and applied by the Board of Transport Commssioners, have not succeeded in preventing serious disparities in rates, in the freight rates structure, disparities which have been the subject of comment at, I believe, every session of this Board. Something more is needed.

The solution, I think, consists in giving greater pre-eminence - and at the same time greater particularity to three basic principles:

(1) That all rates must be just and reasonable.

(2) That differences in rates for similar services - the movement of similar shipments over similar distances - in different regions are improper except where they can be justified.

(3) That the principle of equalization should be applied wherever possible.

The existing concepts of "unjust discrimination" and "undue or unreasonable preference" should be retained; they serve a very useful purpose in some situations. The

Act would be most expressed in prohibiting and forbidding discriminations, and differences, and preferences which are unjust, undue, or unreasonable. At the same time, however, those concepts or unjust discrimination and undue preference should be shorn of some of the aspects of all-sufficiency which they seem to possess at the present time. They should not constitute the major, and sometimes the only, test, as to the legality of a tariff. They should be subordinate to three basic requireements which I have already mentioned.

I refer especially to sections 319 and 320 taken in conjunction with sections 314, 316, and 317. They have engendered the theory, a basic principle, that where there are differences in rates the decisive question is whether the difference amounts to unjust discrimination; and that differences in rates are not improper, unless they are such as to amount to unjust discrimination or undue preference.

THE CHAIRMAN: Q. So you would not alter section 319?

A. Not in its own field; but I would subordinate it to a requirement that differences should be improper except where justified.

Q. That is what the section says. It says that the onus shall be on the railway to show that there is no injustice.

A. I think it amounts - I would be prepared to retain it in a situation where unjust discrimination is alleged.

Q. The burden of proving that such lower toll or treatment does not amount to unjust discrimination shall lie on the company.

HH

A. Yes. I would retain that section as written, I believe, but I would like to try to alter the general framework.

Q. You just said that this section 319 is subordinate to another section.

A. I think it should be subordinate to a general principle.

Q. But isn't the general principle right there?

Page 1049 follows

THE CHAIRMAN:Q.Isn't the general principle right there? Isn't it applied there? There must not be any undue preference or unjust discrimination, and the onus for showing that there is not such a thing is on the company?

A. My lord, I would like to alter the general principle, that there shall not be either differences or discrimination except where it can be justified, and to remove from the Act something of the power which has been given to that word "unjust". I would certainly prohibit unjust discriminations, but I would want the principle carried a bit further so that other discriminations, though not unjust under the present theories, would be improper unless they could be justified.

Q. Unless what?

A. Unless they could be justified on some ground found satisfactory by the Board of Transport Commissioners. I do not propose that differences in rates should be prohibited, but merely that differences in rates for similar services in different regions should be improper unless they can be justified.

In the next place, the Railway Act should be more explicit in giving complete guidance as to the principles to be applied and the factors to be considered in determining whether rates are just and reasonable and whether there is a sufficient justification for different rates charged to two or more persons, or clases of persons, for the same or similar services.

I therefore suggest that when an application is made for the approval, disallowance, suspension, alteration, cancellation or continuance of any rate and the Board is called on to decide whether a rate is just or reasonable or

whether there is a sufficient justification for differences between rates charged to two or more persons or classes of persons, for the same or similar services, the Board should be empowered and required to have regard to all considerations which appear to it to be relevant, and in particular to:

(1) The rates charged in respect of similar traffic and even of other traffic passing over any line or route in any part of the country.

(2) The effect which the decision is likely to have upon the net revenue and business of the railway.

(3) The nature and extent of the competition which actually exists or which is reasonably to be expected.

(4) The national interest and the interest of the public.

(5) The effect which the decision is likely to have upon the business of any shipper or shippers.

The weight to be ascribed to these various factors would, of course, vary from one case to another and would be left to the decision of the Board.

9. AMENDMENTS TO THE RAILWAY ACT

The implementation of the recommendations which we have suggested will, almost obviously, necessitate a revision of the principles which have hitherto been applied by the Board of Transport Commissioners, together with a change in the functions, powers and duties of that body. It is implicit in our submission that the report of the Commissioners should go to the extent of recommending that

the necessary changes be made in the functions, powers and duties of the Transport Board and in the principles which it is to apply.

It is almost equally obvious that these recommendations will involve amendments to the Railway Act, and particularly to that part of it which consists of Sections 314-332 inclusive. Our recommendations are made with a full realization of the fact that the amendment of the Act and the alteration of the principles applied by the Transport Board may prove to be a difficult project. Sections 314-332 are closely interwoven. With the exception of specialized changes to Section 325 in 1925 they have remained unchanged since 1919. The changes between their original enactment in 1903 and 1919 appear to have been largely incidental. This group of sections has become the basis of an immense volume of jurisprudence and of an exceptionally intricate Freight Rate Structure.

On the other hand, it is more than possible that part of the trouble is that the statutory provisions which furnish the foundation for the entire framework are the product of an earlier and simpler era and that they are not fitted to serve the needs and complexities of 1949 and of the years to come.

We therefore request that the requisite amendments to the Railway Act be recommended. What those amendments should be is a technical matter -- a question of method -- which we have not considered in any detail. It is a matter which we leave to the decision of the Commissioners to be dealt with by them in the light of the substantive recommendations which they make on all the matters brought before them, of the decisions of the Transport Board in connection

with the applications and investigations now pending before them and of other factors which come into existence before the Commissioners prepare their report. For us to submit a detailed list of proposed amendments at this early stage in the inquiry would, we fear, be a waste of time.

All of which is respectfully submitted.

THE CHAIRMAN: Mr. Covert?

MR. COVERT: Mr. Chairman, I was wondering if it might not be better for counsel if we could perhaps get a transcript of this evidence for cross-examination tomorrow.

THE CHAIRMAN: Would you please repeat that, Mr. Covert?

MR. COVERT: It occurred to me that perhaps we might defer the cross-examination of this witness until counsel have an opportunity to read the transcript of evidence.

THE CHAIRMAN: Yes. Of course, I think we were all totally unaware that we were going to be taken by surprise in this way in connection with this case; we thought it would be like the others. After this sittings, of course, we will not be here.

THE WITNESS: That is my unfortunate predicament, sir, that I am merely counsel, but I can appear later.

THE CHAIRMAN: Maybe we can adjust ourselves to that situation; but our time is limited in Regina, of course.

MR. EVANS: Mr. Chairman, I was going to speak to what Mr. Covert spoke to.

THE CHAIRMAN: Well, Mr. Covert proposes that he ask Mr. Whitmore to stand aside until we all have an opportunity of reading the transcript.

MR. EVANS: Yes; I was going to speak to that, if I might. My own view would be, as we shall be preparing for briefs that are to follow, and having regard to the complexity of the suggestions that have been made, I do not think I would be any better able to cross-examine him after reading the transcript in the odd hour or so that I might have available, than I am today. I think he should be subjected to cross-examination after a considerable length of time has elapsed. These things are really very detailed, and I do not think I would be in a better position tomorrow than I am today.

THE CHAIRMAN: Well, what position are you in today?

MR. EVANS: Well, I have certain things I would ask him, in any event.

THE CHAIRMAN: Would you wish to consider that as final?

MR. EVANS: I really don't care; whatever your lordship thinks.

THE CHAIRMAN: Well, there is no use in taking up time needlessly. If counsel interested feel that they can get on as things are, we had better go on.

MR. COVERT: Very well, if that is the feeling, my lord.

THE CHAIRMAN: Well, does anybody here think it would be better if we waited until tomorrow or Friday or at any rate until a later moment this week?

COMMISSIONER INNIS: I wonder if that would inconvenience the witness, Mr. Chairman.

THE WITNESS: I was just going to say, my lord, I

am at your convenience.

THE CHAIRMAN: Mr. Whitmore takes his life in his hands when he says that. You are prepared to wait over, are you?

THE WITNESS: Oh, yes, my lord. I regret very much the way in which this was presented.

THE CHAIRMAN: Well, we might go on now ---

MR. MacPHERSON: My lord, might I suggest this? We have an agenda that we have been trying to follow.

THE CHAIRMAN: Yes, and we are behind now.

MR. MacPHERSON: Unfortunately our agenda, as agendas usually do, has got behind. We have here two witnesses, Mr. Wiebe, who comes from Herbert, who is the next witness, and Mr. Dudragne, who comes from away in the south country, both of whom are anxious to get away as soon as possible; and I might suggest, if it is agreeable to Mr. Whitmore and to counsel, that possibly it might be left until Friday morning. I do not think we will finish tomorrow, and if the Commission would sit on Friday and Mr. Whitmore were here on Friday morning, that would give some opportunity to counsel to go into the record, as it will be before them, and to be prepared to cross-examine on Friday morning.

THE CHAIRMAN: Well, I think that is more satisfactory, particularly in view of the fact that there are other interests here who will have to wait over. We will ask him, then, to wait.

THE WITNESS: Yes, I will be glad to do so, my lord. Thank you very much.

THE CHAIRMAN: What is the next?

MR. COVERT: The Saskatchewan Stock Growers' Association.

MR. MacPHERSON: I call Mr. Wiebe.

HERBERT WIEBE, called

EXAMINED BY MR. MacPHERSON

Q. Your name is Herbert Wiebe?

A. That is right.

Q. And Mr. Wiebe, you live at Herbert, Saskatchewan?

A. Yes.

Q. And you have lived there all your life?

A. Since 1905.

Q. Actually, you are engaged in ranching on your own account, are you?

A. That is right.

Q. And on your own personal ranch you have how many head of cattle?

A. 120 head.

Q. And then you are also interested in a joint stock company which runs considerable cattle?

A. A partnership.

Q. A partnership; and how many are there on that ranch?

A. That partnership? Do you mean how many head of cattle?

Q. How many head of cattle?

A. Roughly 1,600.

Q. 1,600 head of cattle. Now, you are presenting a brief on behalf of the Saskatchewan Stock Growers' Association, and you are now the President of that Association?

A. Yes.

Q. Now will you just present the brief?

(Page 1059 follows)

A Mr. Chairman and Commissioners:

The Saskatchewan Stock Growers' Association represents 500 ranchers and farmer-ranchers concentrated on the ranch lands of Southern Saskatchewan. The Association watches legislation relative to Stock Growers' interests, attempts to advance the interests of the stock growers in every legitimate and honourable way, and includes among its objectives making suggestions to parliament from time to time, as may be found necessary, dealing with the passing of any new legislation to meet changing conditions and requirements. The Association through its executive is represented on the National Council of Beef Producers, a Dominion wide organization.

Range cattle production in Saskatchewan is carried on in areas distant from markets, and in which rough topography, infertile soil, and unfavourable or variable weather conditions make crop production unprofitable. However, the very location of ranch lands leaves the ranching industry, as compared with various other industries, particularly vulnerable to problems of transportation. Freight rates increase heavily the cost of marketing, especially of live animals which, moreover, lose considerable weight when transported the long distance from production areas to eastern markets.

The period of the Nineteen Thirties was a very difficult time for all Saskatchewan, and we feel that Southern Saskatchewan was probably more severely affected than any other part. Ranchers often had to sell far below costs. Coupled with depressed conditions in the thirties was the worst drought in the history of theprovince.

The effect of these adverse conditions is obvious from figures of cattle marketings in recent years. Marketings of Saskatchewan cattle since 1934 were as follows:

1934	-	181,387
1935	-	270,967
1936	-	313,101
1937	-	445,494
1938	-	136,713
1939	-	172,865
1940	-	212,699
1941	-	227,433
1942	-	252,186
1943	-	268,662
1944	-	378,907
1945	-	495,195
1946-	-	481,405
1947	-	370,195
1948	-	464,536

Q In that list you start with 1934 and you show that marketings in that year were 181,387?

A That is right.

Q That increases to 1937 when there was the very great marketing of 445,494?

A Yes.

Q Was there any special reason for that marketing in 1937?

A The reason for that was there was absolutely no feed grain, and it was either a case of the cattle starving or putting them on the market for whatever they could get for them.

Q The herds were really wiped out in that year?

A That is right.

Q That is shown in the next year, 1938, when marketings were only 136,713. Then they have gradually increased until 1945 when the high was reached of 495,195?

A That is right.

Q And the marketing has been fairly stable since then. In 1948 there were 464,536?

A That is right.

Q All right, go on.

A In 1936 and 1937 the feed situation was so acute and the income of ranchers was so inadequate that no other course was open but to sell off great percentages of the herds which had been built up with painstaking effort in previous years. The extent of the depletion caused by these forced marketings is evident from the greatly reduced marketings following 1937. Since 1937 the ranching industry has been slowly coming back to normal, but it was not until 1945 that sales reached those of 1937. The ranching industry cannot do otherwise than decline with adverse conditions,with resulting loss to cattlemen, loss to Canada as a whole, and loss in high-paying traffic to the railways.

THE CHAIRMAN: Q. You say that the ranching industry cannot do otherwise than decline with adverse conditions. I suppose that is a matter of course, but do you mean present conditions?

A No, I would not say that exactly.

MR. MacPHERSON: I think he was referring historically.

THE CHAIRMAN: To past experience.

MR. MacPHERSON: Past experience, yes, Mr. Chairman. Go ahead.

THE WITNESS: I am sorry, I am a bit hard of hearing and I did not hear you at first, Mr. Chairman.

Another result of the depression which has by no means been rectified yet, is the scarcity of equipment on ranch lands. The number of cattle on ranch lands has increased enormously in the last few years, but the ranches themselves have to be largely rebuilt, new fencing is necessary and new equipment is needed all along the line. Modern ranching requires practically a full line of mixed farming equipment in order that hay and grain for winter feeding may be provided.

There are two types of market open to range cattle, the butcher market and the feeder market. While some cattle may not be fit for the butcher class and others carry too much finish to go as feeders, a great many range cattle are the so-called two-way cattle, that is, they are suitable for either purpose. For example, cattle or lambs could be shipped from Maple Creek to Winnipeg or Toronto if ready for market. If not ready for market, they could be shipped to Moose Jaw and sold at the feeder sale to farmers in Northern Saskatchewan or the Lethbridge area, who would fatten them and later sell to the Eastern markets.

Ranchers have a number of individual problems peculiar to the ranching industry which help to make their cost of doing business heavy. We have problems in water conservation, land tenure, and labour. One special problem, not connected with the railways specifically but of such

particular significance in the general position of the rancher as to merit mention here, is his present income tax situation under which the greatest difficulty is experienced in building financial reserves.

MR. MacPHERSON: Q. I think probably you had better explain that. The position is that there has been difficulty in having the Income Tax Department recognize basic herds?

A That is right.

Q As capital. That is to say, they have sought to tax as income each year the sale evenalthough you had been in the ranching business for generations?

A Right.

Q But I believe comparatively recently the Income Tax Department has recognized the theory of the basic herd ?

A That is right.

Q Although it is not yet worked out?

A That is not yet operative, but we are hoping it will be before the end of the year.

Q That is what you refer to there?

A That is right.

Q Go ahead.

A The way in which freight costs and recent increases enter into and accentuate the present problems of the ranchers may perhaps best be evaluated by giving consideration to specific examples.

In the first place, freight costs must be borne on the new equipment and repairs required to get ranches into proper condition. These include a very wide range of

commodities such as building materials, repairs, fencing, mowers, wagons, balers for straw or hay, hardware, harness, gasoline, and innumerable other items, all of which move long distances

Page 1065 follows

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at high rates. The freight on a wagon, weighing 1400 lbs. moving from Brantford, Ontario, to Swift Current (carload lots) and from there to Maple Creek (L.C.L.) would be $31.50 and of this amount $5.46 is due to the recent 21 per cent increase in freight (CFA 5H and CP W790A).'

In many years ranchers grow enough feed to carry their stock over the winters, but the last few winters ranchers through/out the province of Saskatchewan had to bring in considerable feed. Items suchas salt, minerals, and other special feeds all come in by long hauls. The freight on a ton of hay from Brooks, Alta., to Swift Current is $1.05 of which .80 is the result of the 21 per cent increase (CP W170F).

MR. MacPHERSON: Q. Brooks, Alta., is quite close to the Alberta boundary?

A. It is in the irrigation district.

THE CHAIRMAN: You mean the Saskathewan boundary.

MR. MacPHERSON: It is on the Canadian Pacific but on the other side of Medicine Hat.

A. That is right.

Q. You do not know the exact distance?

A. I do not know the exact distance but it is in the irrigation district.

MR. EVANS: It is 215 miles from Brooks to Swift Current.

MR. MacPHERSON: And the cost of moving a ton of hay for that distance is $1.05?

A. Yes.

MR. MacPHERSON: Very well, go ahead, please.

THE WITNESS: In connectionnwith our live stock breeding program ranchers bring in good stock for breeding purposes whichthey buy from stock farms in Alberta, or elsewhere, where the cost of such transaction is not prohibitive. The freight on purebred live stock from Calgary to Maple Creek (LCL) is at the present time, $6 on a 1000 lb. animal of which $1.10 is the 21 per cent which was granted one year ago (CP W790A).
The new proposed tariff No. 183C which is to be made effective May31, 1949, in respect to themovement of pedigreed livestock would have the effect of increasing the rate 142 per cent. - the result of this proposed change in rates will in our judgment be destructive to the building up of our livestock especially our beef cattle industry. It would tend to destroy all the constructive work done over a long period of time in building up various pedigreed livestock sales throughout the country. Our understanding is that the special tariffs were provided in the early days of the C.P.R. when it was the wish and will of the railroad executives to build up the quality of Canadian livestock. The result of such constructive action, of course, was that the development of the country would be promoted and the railroads would reap the benefits of heavier traffic which would naturally accrue.

Undoubtedly, the larger part of the freight which the ranchers have to pay results from outward shipments of livestock. To ship a carload of cattle from Maple Creek to Montreal costs $1.36 per 100 pounds as against the former rate of $1.12½ (CFA 116A).Another common movement is

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that of a 600 pound steer is shipped from Maple Creek to Moose Jaw, then from Moose Jaw to Smeaton in northern Saskatchewan for fattening to a market weight of 1,000 pounds, then moving east to Montreal. If carload rates could be obtained for the three sections of this movement, the total freight would be $17.24 of which $2.98 represents the 21 per cent increase. (CP W 9B, CP W 113F, CFA 116A).

In addition to actual freight costs there are extra charges for switching, cleaning, sanding, stop offs and other charges, all of which have recently increased.

Completion of Gaps

In Southern Saskatchewan, there remain several gaps of uncompleted railway lines, a typical one is the short distance of 37 miles between Val Marie and Mankota. Cattle loaded at Val Marie for eastern markets are hauled west to Consul, then east via Shaunavon to Joose Jaw, a three day trip with an added distance of about 200 miles This results in heavily overloaded trains which are frequently many hours behind schedule with a heavy shrinkage on livestock requiring two extra unloadings to feed and water enroute. The completion of this railway would handle more livestock traffic eastward and would likewise assist in moving feeder cattle from Mankota area west to feed lots inAlberta. These cattle now are shipped to Moose Jaw and then back to Lethbridge. This is inefficient use of railroad rolling stock and at a season when the demand for stock cars cannot be met. In order to save excessive shrinkage and get livestock to the main lines quickly, large numbers of range cattle are now being hauled by truck and come distances of 100 miles or

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more to Swift Current and Moose Jaw. This type of traffic is increasing and trucking rates are becoming more competitive. Many ranchers now find it advantageous to own their own trucks for this purpose.

Conclusions

Since the 21 per cent increase in freight and other attendant charges have come into effect, western ranchers pay and pay more heavily on all the equipment,supplies, and stock they bring in, and on all cattle or lambs shipped out. On stock slaughtered in the west and sent east as meat, the increase in the cost of the movement to the ultimate market has undoubtedly been felt by the rancher in reduced prices.

The following points summarize the views of the Saskatchewan stock growers association.

1. Stability now seems possible in the ranching industry. At present freight rates constitute one of the greatest problems to the industry. The increased level of freight rates at this time can easily be enough to cause a serious setback.

2. During the war years ranchers have endeavored to produce beef in larger quantities.This has been done at increased expense to the rancher but the net returns have not increased accordingly. The serious situation, however, is the extended use of the grazing resources which now need to be rebuilt. It will take many years to rebuild the grass resources. In the meantime, it is necessary to increase the growing of feed to supplement the grass shortage or else purchase supplies from other areas.

3. Marketings of cattle are now near maximum. The

task is to maintain this number and avoid the violent fluctuations that have characterized the industry in the past and which have been detrimental to railways and stockmen alike.

4. We also wish to point out that this association has supported the activities of the Canadian Co-Operative Processors Limited formerly Horse Co-Operative Marketing Association. Our members constitute the Board of Directors. I think that perhaps a correction should be made, and I should say: to the original board of directors.

Q. MR. MacPHERSON: That is what Mr. Harding said this morning.

A. That does not apply today. Since they moved into Alberta, they have some Alberta men among them.

Prior to the inception of the Co-operative, members of this association were trailing horses to Montana and sold them at $5 per head. We had to get rid of them. Freight in and out was lost to Canada. The main benefit, however, has been the conservation of feed and grass. It is now possible to graze 125,000 more cattle in this area. This will assist greatly in maintaining the high level in marketings reached in 1948 and obviously ensure increased revenue to the railway. The highest prices for live cattle were received during the early marketing period of August and September, 1948, as a result of lifting the embargo onCanadian cattle to the United States. Since then there has been a gradual decline in prices with no corresponding decrease in costs. If this generally downward trend continues plans for more farm machinery,

equipment, and much needed supplies and materials might have to be abandoned with adverse effects in the reconstruction period of the ranching industry. Ranchers might be discouraged from continuing their attempts to improve their breeding stock and the quality of their products would suffer. The percentage of high quality cattle marketed is small but in recent years demand for quality in livestock products has increased not only from domestic consumers but from consumers abroad. Situated as we are in our mid-continental position, we regard the work of this Commission of vital importante to the livestock interests. Any solution to the high cost of transporting our products the long distances involved would be a most significant factor in promoting stability in the livestock industry.

6. Saskatchewan ranchers have found that the 21 per cent increase on their long freight hauls has meant considerably more in dollars and cents per unit than it did to competitors more closely situated to market, and our competitive position has suffered. The result, apart from loss to the rancher, might very well be that parts of Saskatchewan suited for ranching might be left untouched with resultant loss to theCanadian economy and loss of traffic to the railways.

7. Other transportation methods and schemes are now being attempted to offset the freightrates increase. Trucks are now being put to greater use by ranchers. Carloads of cattle now travel on rubber and with highway improvement this will increase. The freight rate increase along with a serious stock car shortage in 1948 resulted in

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a large movement of cattle by trailing across to Montana. This has been done before and the railways are fully familiar with this procedure.

8. The Association believes that the service of the railways in shipping livestock has not improved in the past 45 years. Despite the fact that freight charges have increased in this period and have just undergone a very large increase the methods used and the services given by the railways have not progressed in keeping with increased charges and improved methods of livestock production and marketing. No similar concession is given to Canadian shippers as to Americans whereby a shipper with too many cattle for one car may order a trailer in which he can load the surplus over the carload at the carload rate.

9. The Canadian Pacific Railway, by taking advantage of the ruling that "the originating road has the right to the long haul" on its rails has chosen to route freight originating west of Moose Jaw and destined for southern points in the United States via Winnipeg and Emerson rather than via Portal. This entails a much longer car mile haul, being two sides of a triangle rather than the hypothenuse. When the total freight is divided between the Canadian Pacific Railway and the Soo Line it is found that the Canadian Pacific Railways receives a much less revenue per car mile than it would if routed via Portal. The conclusion would be that if the company is willing to haul for less the previous rate must have been sufficient.

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10. Finally, ranchers of Saskatchewan have put a great deal of effort into using and building the grass resources of this country. The crux of cattle production is the pounds of beef produced from a given acre of land. Our job is to rebuild the productive capacity of the land. We submit that any adverse influence on theproductive use of land is detrimental to the Canadian economy. A solution to high costs involved in the movement of livestock from the rancing areas to markets would remove one of the adverse factors under which livestock production is carried on and promote the more economic use of our land resources.

All of which is respectfully submitted,

Saskatchewan Stock Growers' Association

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: Q. First of all, Mr. Wiebe, on page 2 of your brief, you deal with the acute situation with respect to feed. Where does most of the feed come from? Can you tell us where most of the feed comes from?

A. The ranchers try to grow most of the feed themselves; but the feed they would ship in would probably be from the irrigated areas of Alberta; Brooks, or Lethbridge.

Q. I was trying to find out the extent to which freight movement enters into the feeding of these cattle. You say that most of the feed is raised by the farmers and ranchers themselves.

A. Yes, but you may have weather conditions when it is

dry in the ranching part of the province, then feed has tobe imported. Some comes from eastern and southeastern Saskatchewan, and quite a lot comes from the irrigated areas of Alberta.

A. On page 3 of your brief, can you give us a breakdown of your markets, that is approximately howmuch to the butcher and how much to the feeder markets; page 3, the first paragraph.

A. I do not think that any breakdown I might give on that would be any good, because it varies so much from year to year.

Q. All right, thank you. Now, on page 4, the second full paragraph, the last paragraph on the page, the tenth or twelfth line, in which you refer to 142 per cent increase. I take it that you had a special rate before; I assume it was a 50 per cent rate.

A. This relates more to pure bred; it only affects the commercial man, to the extent that when he bought the purebred bulls or females he benefitted by that rate.

Q. That is only a small part of the gross to which you refer.

THE CHAIRMAN: Would you find out for me how that 142 per cent increase is made up?

MR. COVERT: I think that perhaps I can explain it. They had a 50 per cent rate before.

THE CHAIRMAN: Yes.

MR. COVERT: They had a special rate which was 50 per cent of normal. Now, if you take that off and add 21 per cent - - -

THE CHAIRMAN: That is right; if you take that

off, it is doubled to begin with.

MR. COVERT: Q. Now, on page 5 of your brief, where you deal with this completion of a gap, have you considered at all any question like the cost of it or the income which would be derived from it?

A. No. We have looked at it solely from our own angle, the shrinkage in the long haul, and the difficulties which would be met with in respect to cattle from Mankota and west Mankota moving into the feed lands in Alberta.

Q. Let us assume that the gap was filled. Do you think that much additional traffic would be furnished to the railways.

A. In my opinion there would be.

Q. A large volume?

A. Well, we have quite a large membership down there. I think there is a reasonably large population of cattle there. I cannot give you the exact numbers; but I feel if that gap was completed, there would be a very definite movement, especially east of Mankota to the feeding lands.

Q.

THE CHAIRMAN: That is the gap between Mankota and Val Marie.

A. Yes.

Q. I think Mr. Evans asked another witness this morning if he knew how much it costs to build a railway in that part of Saskatchewan.

MR. EVANS: Mr. Sinclair put the question and the witness said he didn't know.

THE CHAIRMAN: That question was not answered.

MR. EVANS: We had an estimate of $300,000 in 1931, just a rough measure of what that would be. If you measure it in terms of the difference in the wholesale price index it would run about $2,750,000, which works out to about $74,500 a mile at present day prices. I would not want to be held to it. I am only giving you a rough figure.

MR. MacPHERSON: The next witness after this witness will deal with the geographic and economic situation in that gap area. He comes from that area.

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: Q. Now, on page 8 in your brief, paragraph 7, you say that trucks are now being put to greater use by the ranchers. Could you give the members of the Commission any idea of just what amount of truck competition is there?

A. I am afraid I could not give you any percentage. All I can say is that it has become apparent in the last two years. Trucks, of course, are handicapped during the winter time by roads and highways being closed up by snow, and the railroads have to be resorted to. Our industry realizes that it needs the railroads, that it cannot get along without them. It has to have them. But I cannot give you any percentages.

Q. You could not, for instance, in the m9nths when the roads are not bad - you could not tell us whether half was taken by trucks.

A. If I did it would just be a wild guess.

MR. MacPHERSON: We have some evidence in that connection to come from the Wheat Pool.

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MR. COVERT: Q. On page 8 also, in your brief, in paragraph 8, you suggest there have been no improvements in the past 45 years in the services provided by the railways. Would youlike to make any suggestions?

A. Nothing except that they are still being handled in the same manner, with the same type of stock cars.

Q. Is there something wrong?

A. Only to this extent, probably, that sometimes in the pick-up of stock moving to market not too far away, if that could be facilitated in some way, it would put money in the pockets of the beef producers and the cattle men because it would save considerable shrinkage. Cattle shrink very rapidly when loaded and left in a stock car standing on a siding for a considerable time. They would realize quite a shrinkage. With a single carload of cattle it might not amount to much; but with several carloads it would amount to quite a few pounds.

Q. Have you taken up this case with the Board of Transport Commissioners in any way?

A. No. We have been dealing with the local superintendents of the various railroads; and I want to say, in all fairness to them, that we have got along very well with them; and I do believe that in so far as they are able, in the different districts, they look after us and they try to give us the pick-up services as well as they can. I must say that in fairness to them.

Q. On page 7 you say that any solution to the high cost of transporting your products long distances which are involved would be a most significant factor in promoting stability in the livestock industry. Have you any

specific suggestions which might be of help to the Commission?

A. No, I have not. If I had, I would not be in the cattle business.

CROSS EXAMINATION BY Mr. FRAWLEY

MR. FRAWLEY: Q. How many stop-offs are you getting from the railways now when taking livestock to a reasonablynear market.

A. It depends on where you are routing to.

Q. I do not know anything about cattle movements in that area, but let us suppose you are going from Val Marie to Moose Jaw. You have the privilege of stopping the car in order to complete the car more than once?

A. They give you that privilege once.

Q. How many times, just the once?

A. I think so. I have never shipped from Val Marie. I shipped on the main line.

THE CHAIRMAN: What is the privilege you are concerned with?

MR. FRAWLEY: Q. Would you tell the Chairman what the privilege of stopping off to complete a car loading consists of.

A. They give us one sto-off to complete a car.

THE CHAIRMAN: Q. If your load is incomplete when you start, you can stop once to fill it up.

A. That is right.

MR. FRAWLEY: Q. Do you know there has been an agitation to try to get the railways to increase this

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stopover privilege from one to two or three.

A. There probably would. We as ranchers, probably do not know as much about that as a Commission man would who buys cattle and fills part of a car here. Generally when we ship cattle, it is a carload, or several carload lots.

Q. The Co-operatives could tell us more about that.

A. Probably.

Q. I was very surprised to see in your paragraph 9 that you have not got this question of the Portal route settled yet.

A. As far as we know that is true.

Q. And that applies also to stock moving out of Alberta to South St. Paul.

A. It could.

MR. COVERT: Q. It would save time, I believe, if the railway counsel might enlighten the Commission on that point. My understanding was that it has now been all settled.

MR. FRAWLEY: Mr. Wiebe puts it in as representing the stock growers association. I thought you had finally got it so that you could insist on a Portal route; but you say the Canadian Pacific are still hauling to Emerson.

THE WITNESS: We had a carload originating near Emerson last week. That is a long haul.

MR. FRAWLEY: Q. So the old situation still continues. Suppose you directed and instructed on the waybill that that particular shipment be moved from Moose

Jaw south to Portal and then south to St. Paul. Would you be allowed to have those orders carried out?

A. I do not know. I have never approached it that way.

Q. You say they insist on taking it through Winnipeg down to Emerson and then to Portal, and then South to St. Paul?

THE CHAIRMAN: Where is the ultimate destination?

MR. FRAWLEY: In this instance, it could be St. Paul. It is coming along the Canadian Pacific line from somewhere west of Moose Jaw.

THE WITNESS: Yes.

MR. FRAWLEY: And you say that the practice still is that the Canadian Pacific hauls it through Moose Jaw, through Regina and to Winnipeg, thendown to Emerson, down to Noyes, and then to St. Paul or Chicago?

THE CHAIRMAN: Is the complaint that it costs more, or that the cattle is subject to greater shrinkage?

MR. O'DONNELL: Let the witness answer.

THE WITNESS: There is no difference in the cost. The only difference is in the time consumed, or the related shrinkage in the weight of the animal.

MR. EVANS: Since September of 1948, movements for St. Paul and Soo Line points originating at the first station west of Moose Jaw now move via Portal and not via Emerson. Oh, I am sorry; west of Regina.

MR. MacPHERSON: That would be Grand Coulee.

MR. EVANS: All shipments destined to Soo Line points, or points on the Soo Line go via Portal.

THE CHAIRMAN: That includes Chicago?

MR. EVANS: I think so.

MR. FRAWLEY: Does that include all points west?

THE CHAIRMAN: It includes Regina and any points west as I understand it.

MR. FRAWLEY: Any point west of Regina?

MR. EVANS: Points west; and the first point west of Regina moving to Soo Line points, on the Soo Line, moves via Portal, for cattle.

THE WITNESS: You would be hauling them west to Moose Jaw first.

MR. EVANS: You might. Where do you want it to break.

MR. O'DONNELL: Mr. Frawley wants a special train! But you do not.

MR. MacPHERSON: Q. He is west of Moose Jaw and he wants us to go down on the Soo Line.

A. When our executive considered the preparation of this brief, specific cases were considered; and unless a shipper definitely insisted that he wanted to go via the Soo Line, it was left to the discretion of the railway officials; and invariably that route was taken to Winnipeg and Emerson.

THE CHAIRMAN: We have been told by counsel that that no longer exists since last September, and that theshipments,to which you refer, go through Portal.

THE WITNESS: We are very happy to hear that.

MR. MacPHERSON: Mr. Wiebe's point is that if it is left to the discretion of the railways it goes the other way.

THE CHAIRMAN: That is not what Mr. Evans says.

MR. FRAWLEY: No. I understand it simply goes through Portal and takes the short line, after many many years of protest.

MR. EVANS: It had nothing to do with years and years of protest. It was an operating arrangement with the Soo Line.

THE CHAIRMAN: Does anybody else wish to ask questions?

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. Can you tell the Commission what the average price per hundredweight of good butcher steers is at the present time?

A. I would say, the prices on the market here, the average, probably not the highest or the lowest, would be around 18½ cents to 19 cents.

Q. That is considerably higher than it was a year ago.

A. No, its lower.

Q. That is, in 1947, it was around $13.

A. A year ago this day; that is right. May I say, however, that the result of that increased price is caused by the removal of the market from the United Statles last y Fall.

Q. I just asked you what the fact is. Now, during the year 1948 you sold considerably more cattle than you did in 1947.

A. That is right.

Q. Would you agree with this: that the prices of cattle, of allclasses of cattle, were considerably higher in 1947 than they were in 1946.

A. You say prices were higher in 1947?

Q. Then they were in 1946?

A. Yes, I think you are right there.

Q. That is the statement that I find in Exhibit 7 at page 107.

A. Well, that is right; I don't think thereis any doubt about it.

Q. And you would also agree, I assume, with the statement that during the year -- that is, 1947 -- the demand for livestock and livestock products has been large; generally speaking, prices have increased for all classes?

A. That is right.

Q. You would agree with that. And at the present time the cash income from the sale of cattle and calves in Saskatchewan, according to you, and from your own experience, is considerably higher than it was in 1944, 1945 and so on?

A. It is.

Q. In fact, the prices at the present time are higher than they have been for years?

A. Well, they are not as high now as they were last fall, but last fall ---

Q. But generally speaking, on the average for the year?

A. Last fall they were higher than they have ever been; they may have been as high as we will ever see them, too.

Q. And in 1947, generally speaking, the total value of the livestock on farms in Saskatchewan was about double what it was in 1938?

A. That could be, as the result of the increase for war production.

Q. That figure I take from page 159 of the same exhibit. That is all I have, thank you.

MR. EVANS: Perhaps I might, without taking time to ask questions, put on the record two matters with regard to rates. With regard to the example of a 1000-pound animal, given about the middle of page 4, in order to avoid any confusion as to what that change was in the rates, in the 142 per cent, I would like to give this for the record: purebred stock, Calgary to Maple Creek, the present rate is 60 cents; the proposed rate, which is what the brief describes as the proposed tariff, would be $1.19, the increase 59 cents, and the percentage 98.4 per cent.

Then with regard to the rate on hay, the reference is to page 4 also. The rate on hay is at the 10th class distributing rate, by virtue of the special commodity tariff putting those rates into effect between two points on hay.

Also I would like to put in the record opposite to that that the 10th class distributing rate in the prairies is lower than the 10th class town tariff or Schedule A rates for all mileages up to about 500 miles.

In the case of hay for the mileage Brooks, Alberta, to Swift Current, of 215 miles, the equivalent rate, 10th class, under Schedule A, would have been 30 cents as compared to 25 cents.

CROSS-EXAMINED BY MR. EVANS

Q. I was rather interested, Mr. Wiebe, in your statement in dealing with the gap between Val Marie and

Mankota. You were saying that large numbers of range cattle are being hauled by truck, and you say this type of traffic is increasing and that trucking rates are becoming more competitive. Has it been true that trucking rates for cattle have been higher than rail rates? Is that what you mean by that?

A. Frankly, I don't know. I have had no experience personally with trucking, and if you asked me today what trucking rates are I could not tell you.

Q. Well, I wondered what you meant by the brief, that is all.

A. Well, apparently what they mean there, I think, is that with more trucks going into the business rates are probably becoming competitive as between one truck line and another. I do not believe that their rates are controlled.

MR. MacPHERSON: No, they are not.

THE WITNESS: I don't believe their rates are controlled; at least, that is my understanding.

MR. EVANS: Q. You are not suggesting that the trucking rates are high and railways competition is forcing them down; you are not suggesting that?

A. No. What I would suggest there is that because there are more truck lines going into the trucking business, the very competition between the opposing truck lines tends to force the trucking rates down.

Q. There are truck lines runing into this Val Marie-Mankota area

A. Yes, there are.

Q. And there is a highway directly north in almost a straight line from Val Marie to -- is it Cadillac?

A. To Swift Current.

Q. To Swift Current?

A. That is right.

Q. Through Cadillac?

A. That is right.

Q. And Cadillac is the C.P.R. rail point?

A. Yes.

Q. And that is a good gravel highway of what you might call second class, a provincial highway?

A. As good a road, I guess, as we have in Saskatchewan, outside of pavement.

Q. And then on the other side of the gap, running north from Mankota or a point just east of Mankota, is another highway not quite so good, but a provincial highway nevertheless.

A. That is right.

Q. Thank you.

THE CHAIRMAN: Is that all, then?

MR. MacPHERSON: Thank you.

There is one last witness, my lord, Mr. Dudragne.

THE CHAIRMAN: On this same thing?

MR. MacPHERSON: No. He is for the "Fill-the-Gap" Association -- this gap that my friend Mr. Evans was just talking about.

THE CHAIRMAN: We have only ten minutes to go.

NOEL DUDRAGNE, called

EXAMINED BY MR. MacPHERSON

Q. Mr. Dudragne, your full name is Noel Dudragne?

A. Yes, sir.

Q. And you were born in Algeria?

A. Yes, sir.

Q. And you came from Algeria to Saskatchewan in 1913?

A. That is right, sir.

Q. With your parents?

A. Yes, sir.

Q. And you settled in the area that is between Mankota and Val Marie?

A. That is right.

Q. In Southern Saskatchewan?

A. Yes, sir.

Q. And the name of your post office is Broncho?

A. Yes.

Q. And you farmed there until two years ago yourself?

A. Yes, sir.

Q. You still own your farm?

A. Yes, sir.

Q. Which is a section of land?

A. Yes, sir.

Q. And your son is operating the farm now and you are living in Val Marie?

A. Yes, sir.

Q. Actually you are here as President of "Fill-the-Gap" Association?

A. That is right, sir.

Q. And the "Fill-the-Gap" Association is an association of a number of organizations that are set out in

Appendix A to your brief?

A. That is right, sir.

Q. There are four rural municipalities, four villages, four boards of trade and a number of other organizations, and they constitute the "Fill-the-Gap" Association?

A. That is right, sir.

Q. Now would you present the brief, Mr. Dudragne?

A. Mr. Chairman and members of the Royal Commission on Transportation:

This submission is made on behalf of the people of the Val Marie-Mankota district and points west on the Val Marie-Notukeu line in southwestern Saskatchewan. The "Fill-the-Gap" Association was oragnizwd in 1930 and is representative of those organizations whose names appear on Appendix A to this brief and of the people of the Val Marie-Mankota district generally and those west to Govenlock.

The serious transportation problem facing the residents of this whole area is clearly indicated by the map attached (Appendix B) which shows that there is a gap of about thirty-seven miles between Val Marie and Mankota on the C.P.R. branch line Notukau to Assiniboia. The line has been in operation from Notukeu to Val Marie since 1924 and from Assiniboia to Nankota since 1929. In the years since 1929 many representations have been made to the Canadian Pacific Railway for the completion of this gap but so far without success. Many hardships, both economic and social have been suffered by residents of the Val Marie-Mankota district and areas to the west as a result of this lack of railway facilities. It is our purpose in this submission to outline briefly the position in which the district is

placed as a result.

Q. Perhaps I might summarize some of these paragraphs, in the light of some of the evidence we have had. The district has been settled for how long?

A. Oh, I would say since 1909, the first settlers.

Q. The first settlers went in 1909; and when did branch line extension take place in there?

A. In 1924.

Q. Or 1910 to 1914?

A. 1910 to 1914, that is right, yes.

Q. 1910 to 1914; and then there were further extensions in the 1920's?

A. Yes, that is right.

Q. Now, the Val Marie-Mankota situation as you now have it has existed since 1928?

A. Yes.

Q. Will you continue reading, then?

A. Our district was settled shortly after the formation of Saskatchewan into a province. Many of the residents came into the area to commence farming about forty years ago and were encouraged in the establishment of their homes by the branch lines extension program which was undertaken in the period from 1910 to 1914. Further extensions were made in the 1920's and the completion of the Notukeu-Assiniboia branch was confidently expected. As already indicated however construction ceased in 1928 leaving uncompleted the line between Val Marie and Mankota.

In addition to requests made directly to the

Canadian Pacific Railway representations have been made to the Prime Minister, the Minister of Transport, other Ministers and other government agencies urging the completion of the line but apparently the branch of which this section was to form a part was constructed under the general authority of Section 14 of the Agreement Schedule of Chapter 1 of the Statutes of 1881 which reads as follows:

> "The Company shall have the right, from time to time, to lay out, construct, equip, maintain and work, branch lines of Railway from any point or points along their main line of Railway to any point or points within the territory of the Dominion, provided always that before commencing any branch, they shall first deposit a map and plan of such branch in the Department of Railways."

We understood that neither the Minister of Transport nor the Board of Transport Commissioners, nor even Parliament at present, has any control over the construction of the line involved as it was undertaken under the general powers of the section quoted above and there is no time limit imposed for completion in this case. We feel, however, that when a line is commenced from two ends there is a responsibility, even though it be a moral one to complete the project, and we submit that some control should be exercised to avoid these situations developing which, as will be demonstrated impose serious economic handicaps on the residents of the Val Marie-Mankota district and areas to the West of us.

First, we would like to say something of the agricultural development of the area affected, that has taken place, and something of the present situation and future prospects.

Q. Just to summarize the next paragraph, it is entirely farming and ranching country, is it not?

A. Absolutely.

Q. And there are two river valleys, are there not?

A. Yes.

Q. In the district; the Frenchman River and the Milk River?

A. Yes -- well, the Milk River is in the States.

Q. The Milk River is in the States -- runs into it, yes. There is grain production in the area?

A. Yes.

Q. And there is also livestock?

A. Yes.

Q. And the P.F.R.A., one of its first ventures was in that district?

A. That is right.

Q. At Val Marie?

A. Yes.

Q. And you have shipped out how many horses to the Horse Co-operative?

A. 25,000; over 25,000 horses have been shipped out of this area.

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THE AGRICULTURAL ECONOMY OF THE REGION

The area is in the brown soil zone varying from light loam to clay loam. There are large areas of clay

loam west of Val Marie where grain production is most prevalent. The soil in the Frenchman River Valley varies from a silt sand to a heavy clay at the south end of the river. The land is generally undulating to rolling. Seasonal precipitation averages about seven inches with a total of twelve to fourteen inches per year. There are a number of streams, the Frenchman River being the main one. This river rises in the Cypress Hills and flows into the Milk River in Montana. Long coulees run into the Milk River from the bench of the Cypress Hills and there are numerous sloughs throughout the whole region.

Grain production has been somewhat spotty due to drought conditions which have affected southern Saskatchewan generally from time to time. Farming methods however, are improving with the greater knowledge of proper methods of farming for the area, and conditions are changing in the direction of greater stability. Much of the area is suitable for live stock production on a large scale, particularly since the activities of P.F.R.A. have been commenced. Over 25,000 horses have been shipped out of this area to the Horse Cp-operative Marketing Association, most being trailed or trucked in. The Horse Co-operative, in fact, was started from the Val Marie area and this organization has contributed greatly to the more economic use of land resources in southwestern Saskatchewan, and incidentally has provided important traffic for the railways.

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Q. Now, theVal Marie Irrigation Project was started when, Mr. Dudragne?

A. In 1935.

Q. And how many acres were there in the original plan?

A. 6,000 acres.

Q. Has that been extended?

A. Yes.

Q. By how much?

A. 4,000 acres.

Q. And how many families are there located on farms in the original project?

A. Eighty families.

Q. And how many in the town of Val Marie?

A. Sixty families in the town of Val Marie.

Q. And the new project, the west project, how many would that be?

A. Fifty other families.

Q. Now, in this irrigated land in 1938, what is now irrigated land, what was the production of grain?

A. 250,000 bushels of grain.

Q. And in 1939 what was the production?

A. 2,000 tons of hay and 110,000 bushels of grain.

Q. And in 1940 and the intervening years?

A. Well, the production always augmented.

Q. And in 1947?

A. 3,500 tons of hay have been shipped out, and 1,000 tons of hay used for feed in the district, and 15,000 bushels of grain were used in the district.

Q. Is the irrigation area expanding?

A. Yes, it is.

Q. And are there plans for further expansion?

A. Yes, there are.

Q. What will the expansion of that irrigation district do in the matter of livestock production?

A. Well, it would extend the cattle industry and bring greater stability for feeding purposes.

Q. Then there are certain new fields which will be opened up, you feel, in the district?

A. Yes.

Q. You might read that, Mr. Dudragne.

AGRICULTURAL DEVELOPMENTS

Although in the main southwestern Saskatchewan is a dry farming area, an important agricultural development has taken place at the western end of the "Gap" in recent years. In 1935 the Val Marie Irrigation Project was started with plans to irrigate approximately 6,000 acres. This was undertaken by the Dominion Department of Agriculture through the Prairie Farm Rehabilitation Act (P.F.R.A.). In addition to the original project a new development is now being carried out west and northwest of Val Marie covering an additional 4,000 acres and even further extensions are being planned. Eighty families are located on farms on the original Val Marie project with another sixty families in the town of Val Marie. A further fifty families will be located on the Val Marie west project this fall. The following is a brief idea of the production from the irrigated land:

Production:

1938 - 250,000 bushels grain

1939 - 2,000 tons hay, 110,000 bushels grain.

1940 - hay production gradually increasing up until 1947

1947 - 3,500 tons hay shipped out, 1,000 tons hay used for feed in district, 14 15,000 bushels grain.

By the extension of the present area under irrigation it will be possible to bring into the Val Marie irrigation project further land capable of supporting greater numbers of families. As the irrigation project develops so will the town of Val Marie in order to provide services for the population located on the project. The production of another 8,000 tons of feed on the Val Marie west project will make it possible to increase cattle marketings and give greater stability to the cattle industry. It will also be possible to implement a sound sheep production policy together with some hogs and dairy cattle. It is not too much to expect that all in all production should be increased in the area served by about one-third.

The development of irrigation opens up new fields of production and new industries all of which promote rail traffic both incoming as well as outgoing. Indeed, one of the features of irrigated areas is the possibility of local industry. Among these possibilities are a honey extraction plant, a produce and creamery plant, and an alfalfa meal plant on a permanent basis. Turkey production is an industry that is highly adaptable to this area. Bee-keeping is already well under way. Then there will be great possibilities for special seed products in alfalfa, other forage crops and newer varieties of wheat.

Q. Under the P.F.R.A., in addition to the main project of which we have spoken, are there smaller projects?

A. Yes.

Q. How many of them in the district?

A. There are 404 stock-watering dams in 54 townships which would be served by this railway.

Q. And how many small irrigation projects in addition to that?

A. 38 small irrigation projects.

Q. Are there community pastures in that district?

A. Oh, yes.

Q. What do they total in area?

A. About 220,000 acres.

Q. At an investment by the Dominion Government of how much?

A. $232,500.

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There have been other developments under P.F.R.A. including 404 stock watering dams in 54 townships which would be served by this railway. This has improved the use of grass and will produce an increase in the number of live stock to be marketed.

There are also 38 small irrigation projects that have from 50 to 100 acres each under irrigation. This ensures a feed supply for cattle coming from grazing land, giving security to the live stock industry. These projects are increasing each year.

Community Pastures in the area consist of

220,000 acres constructed at a capital cost to the Dominion Government of $232,500.00. There are 300 users and in 1947 there were over 7,500 head of cattle grazed on these pastures. The following table indicates the extent of each pasture.

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Q. Now, you have a table on page 5 showing the four main pastures, one at Masefield, one at Lone Tree, one at Val Marie and one at Beaver Valley?

A. That is right, sir.

Q. Varying in size from 11,000 acres in the case of Beaver Valley to 154,000 acres in the case of Val Marie?

A. That is right.

Q. Giving the capital cost in the third column, the number of patrons in the fourth column, the stock handled in the fifth column in 1947, and handled to date in the last column. There have been 62,000 head of stock handled in these community pastures; that is right?

A. That is right, sir.

Q. At the bottom there, you might just read that.

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COMMUNITY PASTURES IN VAL MARIE-MANKOTA AREA

Pasture	Acres	Capital Cost $	No. of Patrons	Stock Handled 1947	Stock Handled To Date
Masefield #17	20,960	42,500.00	52	802	5,256
Lone Tree #18	32,960	36,500.00	115	1,794	9,096
Val Marie	154,720	138,500.00	89	4,498	44,626
Beaver Valley	11,360	15,000.00	34	407	3,138
	220,000	$232,500.00	290	7,501	62,116*

* Including 17,800 sheep.

Assistance has also been given in the draining of sloughs to increase hay production. In this area thousands of acres have been reclaimed by seeding to crested wheat grass. Today these areas have three times the carrying capacity of native pastures and have enabled a great increase in the number of cattle being produced in this area. The amount of abandoned farm land reclaimed would be in the vicinity of 200,000 acres, making it possible to graze another 7,000 head of cattle.

(Page 1092 follows

Q Then there is some difficulty. Probably you had better read the next paragraph because I think it is important having regard to water resources.

A It is essential that every possible encouragement be given to the full use of water resources for the agricultural development of this area. The United States is anxious to obtain as much water as possible to develop their similar areas south of the line. The Dominion Department of Agriculture through its P.F.R.A. has done a great deal and is continuing its program of rehabilitation in the southwest. It has shown faith in the productive capabilities of the district. The farmers have already shown their faith in the area and we are still hoping that the Canadian Pacific Railway Company will do its share by completing the Val Marie - Mankota gap. Transportation is extremely important in the carrying out of the program. As a matter of fact, it is the key, for no matter what development takes place the present lack of facilities and high transportation costs are a severe obstacle to making those benefits effective.

Q You ship your grain to the lakehead?

A Yes.

Q And there has to be the back haul to Consul?

A Yes, and back on the north line. Val Marie is the highest freight rate point around the whole southwest, a 25 cent freight rate.

Q That is to Port Arthur, the head of the lakes?

A Yes.

Q Now, what effect does it have on livestock if they are shipped? I do not want to repeat. You have

heard some evidence given today as to shrinkage in live-stock. Does that apply with you?

A Oh, yes, it does.

Q Would you explain that to the Commission?

A Well, I will give this example. We have a mixed train once a week on Tuesday night. That train goes back on Wednesday morning.

THE CHAIRMAN: Q. To where?

A To Consul and then back on the Shaunavon Moose Jaw line. That train leaves at seven o'clock in the morning. Thirty-six hours afterwards it is thirty-five miles north of Val Marie and the stock has been fed once at Shaunavon. I will not be positive, but I understand that when somebody goes with the carload of cattle he can feed his own stock provided he does the work himself. He can feed his stock at Consul, but if he is not with the car of cattle that stock is only fed the next afternoon at four o'clock at Shaunavon. Leaving Val Marie on Wednesday morning that stock is only fed at four o'clock on Thursday afternoon at Shaunavon. At eight o'clock that evening, if the train keeps on going, it is thirty-five miles north of Val Marie.

THE CHAIRMAN: What about water? Does he say anything about water?

MR. MacPHERSON: Q. Where do they water the stock? I think your point is they leave Val Marie at seven o'clock in the morning and thirty-six hours later--

A They are at Cadillac.

Q Thirty-five miles north?

A Yes.

THE CHAIRMAN: Q. And they are not fed until then?

A Until Thursday afternoon, as I understand. I never shipped any cattle myself from that point.

Q Do they get any water?

A I could not say. I would not be positive of that.

MR. MacPHERSON: Q. In your brief you refer to the additional burden of the 21 per cent increase. You heard other evidence given here today and you would agree with it?

A Yes.

(The following is a portion of the brief not read)

THE TRANSPORTATION PROBLEM CREATED BY THE "GAP"

Grain is shipped east to the lakehead and carries the highest freight rate from Val Marie of any area in the province. Hay is shipped from Val Marie to Moose Jaw and Regina. All of this traffic carries the extra charge for the 200 miles back haul. Some alfalfa meal has been ground at Val Marie and this has been shipped to Lethbridge and Saskatoon. The extra haul is again involved in the latter movement. Val Marie is not of course the only point affected - all stations west on the Val Marie - Notukeu line are under the necessity of back hauling due to the Val Marie - Mankota gap. The long back haul from Val Marie, Climax and all other points on the Notukeu extension has been a serious handicap to our people for many years. People considering coming into the area to spend capital for the purpose of developing a farm or live stock unit look at the long distance they have to trail to Cadillac and other points

to get onto the main line because they fear the heavy loss that takes place in back hauling live stock from Val Marie to Consul and then coming over the same distance and taking several days to get cattle to Moose Jaw. Live stock losses have been heavy in shipping this way and when the Val Marie Sheep Co-operative was operating, in practically every car that was shipped from Val Marie to Moose Jaw there were five dead lambs found. This Co-operative has ceased to operate. Experiences are similar with cattle and also with horses shipped in from this area to the Horse Plant at Swift Current losses have been at a very high percentage. Besides actual losses, the very heavy shrinkage and poor grades received are all factors contributing to retarding the development of live stock units in this area. Unless this gap is completed there is the distinct possibility that live stock will be trailed across the border and shipped via American lines.

One year ago a 21 per cent increase in freight rates was allowed. The following examples show the impact of this increase on the cost of transportation of certain important commodities from Val Marie. We paid heavily for the 200 extra miles before the rate increase and by the application of this uniform percentage boost our position has been worsened both in dollars and cents and in relation to producers no further removed from markets than we are but whose railway connections do not involve 200 extra miles to get there. The same thing applies in different degree all along the Val Marie - Notukeu line.

RATES TO MOOSE JAW BEFORE AND AFTER 21 PER CENT INCREASE

Specific Rates on Cattle, Sheep, Hogs

LIVE STOCK From:	MILEAGE	OLD RATE	PRESENT	INCREASE IN CENTS
		Rates in Cents per 100#		
Val Marie	348	34¢	41¢	7¢
Mankota	147	22¢	27¢	5¢
Cadillac	151	22¢	27¢	5¢

Source: C.P.R. Tariff No. W. 9. A.; W. 9. B.

ALFALFA HAY From:	MILEAGE	OLD RATE	PRESENT	INCREASE IN CENTS
		Rates in cents per 100#		
Val Marie	348	27¢	33¢	6¢
Mankota	147	20¢	24¢	4¢
Cadillac	151	20¢	24¢	4¢

Source: C.P.R. Tariff No. W. 170 E.; W. 170. F.

LIVE STOCK From:	MILEAGE IF "GAP" COMPLETED	ASSUMED RATE IF "GAP" COMPLETED	PRESENT RATE	Approx. SAVING IF "GAP" COMPLETED
Val Marie	184	30¢	41¢	11¢
ALFALFA HAY				
Val Marie	184	25¢	33¢	8¢
ALFALFA MEAL				
Val Marie	184	20¢	27¢	7¢

Q The tables on page 8 of your brief (shown above) show the specific rates on cattle and hogs shipped from Val Marie with a mileage of 348, and from Mankota and Cadillac. The mileage is actually 348 miles from Val Marie, although it is only thirty-seven miles from Mankota?

A Yes.

Q And Mankota is 147 miles?

A Yes.

Q And Cadillac, which is thirty-five miles north, is 151 miles?

A Yes.

Q So far as you are concerned stock from Val Marie has to travel 348 miles?

A Absolutely.

Q And the old rate is given at 34 cents per 100 pounds. The present rate is 41¢, and the increase is given at 7¢?

A Yes.

Q As against 5¢ for Mankota and 5¢ for Cadillac?

A Yes.

Q And the same figures apply in connection with alfalfa hay?

A Yes.

Q And live stock, alfalfa hay and alfalfa meal are shown in the last table?

A The bottom one is an estimate we made assuming the gap is completed, the saving we would make on it.

Q There would be an estimated saving at Val Marie of 11¢ on live stock, 8¢ on alfalfa hay and 7¢ on alfalfa meal?

A That is right.

Q Now, you might read on from there.

A I am not speaking too loud, am I?

THE CHAIRMAN: Go on.

THE WITNESS: The impact on shipping costs of

extra mileage is clearly shown in the above rates. The unfairness of the application of the 21 per cent increase is also apparent. These are rates per 100 pounds. When applied to the total tonnages of incoming and outgoing commodities the completely unnecessary extra burden of cost which the failure to complete the line as planned has thrown upon our people can be estimated.

Due to the distance by rail of Val Marie from Moose Jaw and Regina advantage can not be taken of the facilities afforded by the freight-express shipping arrangement such as is available to Mankota and points east. Districts in the gap such as Wallard, Reliance and Broncho must truck in all their requirements from some railway point and the cost of living in these localities would be reduced considerably if the rail line went through. We believe that the establishment of two terminal points such as Val Marie and Mankota must be expensive to the railways as returns to the railways from freight or passengers carried along these lines must diminish as the terminal is approached, and unsatisfactory service is almost inevitable. Much of the freight which would be unloaded at Val Marie if the gap were closed is now trucked into the area from the northern lines.

MR. MacPHERSON: Q. Then you deal with the social problems created by this situation in your district?

A Yes.

Q You point out that a great many people have left the farms?

A Yes.

Q Are some coming back to the farms now?

A Some are, but very few.

THE CHAIRMAN: Q. Pardon me. You say that a great many people have left Saskatchewan farms. Does that mean they have left the country or have gone to the towns?

A Left to go to towns.

MR. MACPHERSON: Q. Not just because the combine came but on account of the lack of convenience.

A That is right.

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Q. You have only a mixed train once a week.

A. Once a week in Val Marie.

Q. And in Mankota?

A. Sometimes we have a mixed train. I do not know how often it happens but the regular train is only once a week.

Q. And the post office gets mail how often?

A. In the Gap,sometimes once a week and sometimes twice a week.

Q. And the mail, how does it come?

A. It is trucked out by truck or horses,

Q. What about hospitals?

A. At the present time we have a hospital in Climax. The one in Val Marie only started three years ago; and even at the present time if it were not for the ambulance service especially in winter time,I think we would have more casualties than we have at present.

(The following is part of the brief not read)

SOCIAL PROBLEMS:

As standards of living generally have improved people are less willing to put up with uncomforatlbe conditions than they were thirty years ago. A great many people have left Saskatchewan farms not just because the combine came and could handle larger farms, but we believe, partly on account of the lack of conveniences on the farm compared with the city.

In the Val Marie-Mankota gap area these inconveniences are accentuated by the lack of rail connections which would link the area to the larger Saskatchewan communities. Val Marie and points along the Val Marie-Motukeu line

have a mixed train once a week. The passenger service is of little or no value, except to a few western points.

Many post offices in the gap get mail only once or twice a week which is an inconvenience to our people. Mail carriers haul mail from the north to many points which would be served easier and more efficiently if the south line were completed.

The gap area is hilly in parts and roads are not good in many places. Especially in winter many essential services are only fulfilled with great difficulty and often with delay. In the hilly country, roads are often blocked with snow for weeks at a time, and supplies and mail are often delayed. Hospital cases have often been difficult to handle in winter, and the problems arising from sickness have always been a source of worry to our people. Many serious illnesses would not have received proper medical aid and fatalities might have resulted had it not been for the Provincial Government Air Ambulance Service. Indeed, we have had the experience in past years of arranging to have sick people taken from their homes to hospital by sleigh with fresh teams standing by every so many miles. And sometimes the effort has been in vain.

The completion of the railway gap would do much to make rural life more attractive, particularly for the younger people who dislike the degree of isolation andthe inconveniences with which they would be faced in setting up homes in the district.

Q. Will you read your conclusion?

A. A stable agriculture is well on the way to being realized with increased production. It only seems common

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sense and in the interests of the economy of agriculture in Saskatchewan that this line be completed.

Apart from the P.F.R.A. development the area served by the line is largely devoted to raising cattle and sheep and growing wheat. Every part of our area is producing either grain, hay, or fattening stock. We believe that this line would more than pay its way and from the standpoint of traffic available, we see no justification for leaving the gap uncompleted.

With the program that is under way in the whole area

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under discussion, there is no doubt that production is being stabilized. Grain is being grown where it is practical and profitable to do so; other areas have become rehabilitated, lands have been reclaimed and irrigation development has stabilized close to 10,000 acres of irrigable land and more can be undertaken. The railway is a vital part of this development.

The future of the district looks encouraging. It is an entirely different story today from what it was twelve years ago. The railways should give their earliest consideration to this project in keeping with the program that is now going on.

In our part of the country the C.P.R. has a monopoly on rail transportation. We believe that this wasactually granted to them as a part of the national policy. This being the ease we feel that with the monopoly granted, should go the responsibility of giving adequate service. We now find ourselves entirely in their hands without recourse to any independent tribunal empowered to grant us relief from the transportation difficulties with which we are faced. It seems unreasonable that because the railway decided not to complete its plans immediately we are penalized by being forced to pay for the transportation for up to a 200-mile extra haul which should be unnecessary. On top of this any time a uniform freight rate increase is granted this disadvantage is further accentuated.

It is our contention that matters of this kind should be subject to review by an impartial agency and hope that your Commission will see fit to make such a recommendation. We have had some encouragement from time to time from the

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C.P.R. that this line will be completed and are hopeful that the C.P.R. will take immediate steps to fill the gap and respectfully request that your Commission will exert its influence to this end.

Respectfully submitted,

Noel Dudragne,
President
"Fill the Gap" Association
Val Marie, Saskatchewan

MR. MacPHERSON: Your witness.

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: Q. Have you inquired at all into thequestion of the cost of a completion?

A. Well, no; but the person who gave us the figures was an authority in the Canadian Pacific then; it was Mr. Hutchison, the agricultural representative, I think, in 1938, when he was here. He said: Give us two crops and we will finish this gap. We asked him what would be the approximate cost and he told us: between half a million dollars and six hundred thousand; and that waswhen we were working with mules and wagons. But today with high-powered machinery it should be cheaper than at that time, although I am not an expert on it.

Q. You quite well realize that the Commission has no power to order the completion of this thing.

A. That is right.

Q. Are you suggesting that they should recommend that the Board of Transport. Commissioners be empowered to deal with matters of that kind?

A. Yes, sir.

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MR. COVERT: Thank you, very much.

MR. SINCLAIR: Just one thing. I would like to file as exhibit 11, the Official Highway Map for the province of Saskatchewan for the year 1949. It shows the highways into that area. Five copies are now being handed to the secretary.

MR. COVERT: It will be exhibit 11.

EXHIBIT 11 - filed by Mr. Sinclair. Official highway map of the province of Saskatchewan for the year 1949.

MR. MacPHERSON: Q. There is a highway into Val Marie from the north, from Cadillac.

A. Yes. There is No. 4 highway.

Q. And Cadillac is 35 miles away.

A. That is right.

Q. And Mankota is 37 miles away.

A. Right.

Q. And you have been in that country for 40 years? And if you haul grain by highway, you would haul to either Mankota or to Cadillac.

A. I should say this: My farm is situated in Val Marie. My grain is sold to another fellow there. There are some truckloads of grain which are often trucked out.

Q. Is there just the one elevator there?

A. There are two at the present time. There used to be three, but now there are two, a pool elevator and a private elevator.

THE CHAIRMAN: We shall adjourn now until 10:30 tomorrow morning.

-- At 4:45 p.m. the Commission adjourned to meet again tomorrow, June 9, 1949, at 10:30 a.m.

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